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MT LEGISLATIVE HISTORY

Chapter 674 1989

Bill (H) 28 S _____ Original bill & hist. ___C

H. Committee on Labor & Employment Relations S. Committee on Labor & Employment Relations

Hearing Date(s)			Hearing Date(s)		
	Jan 17	✓C		Mar 21	✓C
	Jan 19	✓C		Mar 22	✓C
	Jan 24	✓C		_____	___C
	_____	___C		_____	___C
Date Out	Jan 25	✓C		_____	___C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

Conference Committee Apr 11 ✓C

Free Conference Committee Apr 18 ✓C

NOTE: For the sake of economy, where prepared witness statements and testimony were identical in both the House and Senate only one copy was made.

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON LABOR AND EMPLOYMENT RELATIONS

Call to Order: By Chairman Russell, on January 17, 1989, at 3:00 P.M.

ROLL CALL

Members Present: All present.

Members Excused: None.

Members Absent: None.

Staff Present: Eddye McClure, Staff Attorney.

Announcements/Discussion: We will start first with proponents and give you one hour, so if some of you can gather together and perhaps have one spokesperson, if that seems better, especially as we get toward the end of the hour, that might be fine. We will also give one hour to opponents.

HEARING ON HB 28 and 49

Presentation and Opening Statement by Sponsor:

REP. HARRINGTON: Sponsor of HB 28. The bill is in three basic parts -- raise the minimum wage two different times --on June 30, 1989 minimum wage would go up 90 cents and then again on November 30, 1989 it would go up again another 90 cents. It all hooks into the federal index, which means the cost of living.

One way or another, this legislature must increase the minimum wage in the state of Montana. The federal minimum wage has not been raised since 1981, however Montana raised its minimum wage in 1986. Many minimum wage earners do not work 40 hours per week. Many people are hired for minimum wage or slightly above minimum wage, but these people have no other benefits given to them by their employers. When a minimum wage earner becomes ill, whether he is single or has a family, or a member of his family becomes ill, the state has to provide the medical care for that individual because it is not being taken care of. Many of these people who are going to talk in opposition of this bill today are going to state that they cannot afford this kind of situation. Many of these businesses who pay minimum or close to minimum wage could well afford to pay much more. (Here he gives an example that McDonald's made a report not too long ago where it was stated that McDonald's could pay each worker $15.85

an hour and still make a very comfortable profit, as far as fast foods are concerned.)

I understand that there are businesses out there who have problems and this bill would cause some problems. One of the problems I have with putting any changes in this bill which dictate that certain people are for subminimum wage for youth, is a fact that you pit youth against the working force when you do that. I feel that the minimum wage should be the minimum wage.

Here he refers to fiscal note he handed out to committee members (attached hereto as Exhibit #1).

We have to vote for an increase in minimum wage, whether it be this bill or Rep. Cohen's bill.

REP. COHEN: Sponsor of HB 49. Passed out sponsor's fiscal note to committee members (Exhibit #2 attached hereto) and reviewed same.

The purpose of a minimum wage is to assure that working men and women will be able to meet their basic needs for shelter, nourishment and clothing. For the past eight years the federal minimum wage has been frozen at its present level. In the same period we have experienced nearly 30% inflation over 1981, that means that the $3.35 today is only worth $2.60 in 1988 dollars. That is not fair. A society that condemns a working person to an annual salary of $6,700 is not a fair society. In Montana 14% of all working people receive minimum wage and the greater percentage of those people are women. (Here he goes through his fiscal note).

Long range effects: the number of Montana citizens living at or below the poverty line will be reduced; the number of children at risk of neglect or abuse will be reduced; there will be a reduced need for social services; the state's economy will experience a surge as $36,000,000 is pumped back into the economy.

Testifying Proponents and Who They Represent:

JOHN ORTWEIN, Director of the Montana Catholic Conference.

BRENDA NORDLUND, Montana Women's Lobbyist Fund.

ELMER FAUTH, self, Great Falls.

ED SHEEHY, State president of the National Association of Retired Federal Employees.

JOE MOORE, Montana Rainbow Coalition.

TERRI DOLAN, self, Missoula.

BILLIE WARNER, self, Missoula.

JIM CORTEZ, self, Butte.

LISA ZIER, self, Missoula.

VIRGINIA JELLISON, Montana Low Income Coalition.

MIKE CRAIG, Associated Students of the University of Montana.

LINDA MILLER, self, Missoula.

DON JUDGE, Montana State AFL-CIO.

PHIL CAMPBELL, Montana Education Association.

SANDRA RUCKLES, self, Basin.

JIM SMITH, Human Resource Development Council.

LEE BEASLEY, self.

Proponent Testimony:

JOHN ORTWEIN. Proponent. Spoke from written text, attached hereto as Exhibit #3, and made a part hereof.

BRENDA NORDLUND. Proponent. Spoke from written text, attached hereto as Exhibit #4, and made a part hereof.

ELMER FAUTH. Proponent. I am in favor of HB 49 to a certain extent. I feel that an increase to $4.35 is a good step in the right direction, but I oppose the exclusion of high school students. They also have to make a living wage.

Supports HB 28 wholeheartedly. It gives us an incentive to move on step by step and for any country to progress, we need steps to go by. When we were little kids we needed steps to climb on, etc. It all ties in, and for that reason I definitely support HB 28. As far as the $3.35 goes, the lady preceding me says it is an unlivable wage. I think it is a livable wage if you didn't have to eat or sleep or take some time out for some of the natural human functions, but when you have to do that it is very definitely way below poverty.

ED SHEEHY. Proponent. We support both HB 28 and 49. We more strongly support Rep. Harrington's bill (HB 28) simply because of the generational factor that is involved there. WE find that many of our people, sadly, must supplement their income (retirement income) by working. Simple justice calls for an increase in the minimum wage.

JOE MOORE. Proponent. Supports the concept of raising the

minimum wage. Spoke from written text attached hereto as Exhibit #5.

TERRI DOLAN Proponent. I am a waitress and I can tell you what it is like to work and live on minimum wage. Your pay checks don't go until the end of the month, you can't get shoes for your kids and you can't buy groceries. When I was working full time and making minimum wage I still qualified for Social Services, food stamps and Human Resources helped me pay my power bill. We went to the County Health Department for our well children checkups. I was a single mother supporting children. I am no longer a single mother but this was in 1985. I couldn't live on it then and I know I couldn't live on it now. I support HB 28.

BILLIE WARNER. Proponent. I am hereto support HB 28. I cannot get a high paying job so I have to work for minimum wage. I am working as a waitress part time. They do not give you full time hours, and they don't give you insurance coverage. You have nothing. Then you supplement your income with whatever is seasonal -- selling flowers on the street corner -- just whatever is available. I would just like to see a decent livable wage even for a single person, to be able to go out there and work 40 hours a week. I have no insurance coverage so what have I got to look forward to. It makes it a little tough when you are older. I have taken heavy equipment training but I have not been able to get a job in that field. Hopefully I will be able to because it will be more money but until then I have to work for lower wages.

JIM CORTEZ. Proponent. I support HB 28 because if people can get higher minimum wage they will be able to get off the welfare system and we would be able to afford insurance and other needs. I support HB 28 over HB 49 because 28 indexes minimum wage and does not discriminate against students and teenagers.

LISA ZIER. Proponent. I am a single mother with two children. When I was working for minimum wage I could not make my paycheck go. I have a son who has been really sick and the bills pile up. You cannot make it working for $3.35 and getting no other support. (Written testimony also submitted and attached hereto as Exhibit #6.

VIRGINIA JELLISON Proponent. Our organization is made up of about 6,000 members in Montana and we represent the people who are employed, unemployed, on AFDC, on general assistance, elderly low income and children in poverty. Our organization represents the people we are talking about today. We support both HB 28 and 49 (49 with the exception of the exclusion of high school students deleted from that bill). We support the increased minimum wage because we are concerned about not only the dignity of people being able to be paid for the work that they do, and a livable wage. Not just a wage, but a wage that will help them to get out of

poverty. We are going to be seeing a lot of welfare reform legislation this session. Some of it very restrictive, but some of it has promise, and hope that people will be able to break the cycle of poverty. We feel very strongly that an increase in the minimum wage is extremely important if people are going to get off welfare or be able to reduce their dependency. Even at $4.25 an hour, or $4.35 an hour some assistance will be needed at least for awhile until they build up their earning power a little. We need to have minimum as a continuum in this attempt to try to deal with some of our economic problems in Montana with the low income people. That is one of the reasons we support the indexing so that as the national minimum wage increases, or the hourly rate increases, that Montana's minimum wage would increase also. We think that is a wise solution and I know that there are many people who will oppose this, but for us the most compelling reason to support an increase in minimum wage is that we want some realistic solution to helping people to get out of poverty and be less dependent upon the state. If you pass this bill, HB 28 and HB 49, with the exclusion of the high school students, and include the indexing, we are going to see a tremendous difference and it is going to make an impact on Montana in the future. We know that those people will not only require less public assistance or maybe none at all, but they will also be paying taxes. They will be supporting the state and doesn't that make sense. We ask that you support HB 28 and HB 49 with the exception to exclude high school students.

MIKE CRAIG. Proponent. Associated Students of the University of Montana supports both house bills because many college students work for at or near minimum wage. There are approximately 3,000 students employed in work study and non-work study jobs in, on or near the UM campus. About 56% of those positions would be favorably affected from both of these proposals. It is estimated that the total cost to the university system could range from 6% to 10% in increases in student wages. We believe it is safe to say that the number of students working in the growing service sector is substantial and most of them are working for wages at or near the present minimum wage. University students are continuously informed through the media that tuition is going to increase in order to help the state pay for the increases in university funding. ASUM therefore supports these bills so that working students can help partially defray the inevitable increases in tuition they are told to expect in the near future.

LINDA MILLER. Proponent. As a young person moving out of my parents' home and out on my own I carried three minimum wage jobs. I worked six days a week and I couldn't cut it. I remember having to make the decision to feed myself or to feed my cat -- my cat got fed, I did not. I did seek public assistance to pay half my rent and I did go to the Missoula food bank more than once to get food for myself. I have

many friends who are single parents and looking for help and I want to urge your support of HB 28.

DON JUDGE. Proponent. Read from written text attached hereto as Exhibit #7 and made a part hereof.

JIM SMITH. Proponent. We support HB 49. I have never advised a young man or a young woman that he or she is better off staying on welfare than taking a job and I have never come before a committee of the legislature and said that a person is better off staying on welfare than they are going to work, because I am one of those people who believes that any job is better than no job and that any job is better than the public assistance system that we have built piece by piece over the last fifty years, but when I listen to somebody like Miss Miller who said she works three minimum wage jobs now and still finds herself at the Missoula food bank, I am totally at a loss for words. The logic and rationale of everything that I thought I believed is bedeviled by the situation in which many, many people in Montana find themselves. When we have a situation like this I guess I have to agree with the bill sponsor that simple justice demands that we do something about it as a society.

I ask that you support HB 49.

PHIL CAMPBELL. Proponent. We want to be on record as supporting both HB 28 and 49. We represent in addition to the teachers in our public schools, a lot of the non-teaching workers at schools, many of whom work for minimum wage and as you heard earlier, many of them work part time so they don't have the benefits that other workers at the schools have also.

I can't add anything more than what has already been said for all the reasons -- simple justice is called for in supporting this legislation for increasing minimum wage.

SANDRA ROCHLIS. Proponent. I am speaking in favor of both bills 28 and 49 with the exception of paying high school people under minimum wage and I want to emphasize the importance of indexing minimum wage to the national average. The arguments I have in favor of these bills have already been very well expressed by other people. I just want to add one thing. I would like to ask each member of this committee to think about what it would be like if you would have to live on minimum wage. Please think about that and think about how are your needs so different from the people who do have to live on minimum wage.

LEE BEASLEY. Proponent. Supports HB 28. Repeated what has already been said.

Testifying Opponents and Who They Represent:

CHARLES BROOKS, Montana Retail Association.

LAURIE SHADOAN, Bozeman Chamber of Commerce.

PAUL ODEGAARD, Butlers Kitchen, Billings.

QUENTIN RHODES, self, Bozeman.

JAMES TUTWILER, Montana Chamber of Commerce.

LEON STALCUP, Montana Restaurant Association.

LARRY McRAE, Montana Innkeepers Association.

DR. JOHN DOUBEK, JR., self, Helena.

MARY DOUBEK, self, Helena.

RILEY JOHNSON, National Federation of Independent Businesses.

LORRAINE GILLIS, Montana Farm Bureau.

KATHLEEN KIRSCH, self, Boulder.

KIM ENKERUD, Montana Grazing Districts, Montana Stockmen and Montana Cattlemen.

DAVE SIMKINS, self, Helena.

Opponent Testimony:

JAMES TUTWILER. Opponent. Read from written text which is attached hereto as Exhibit #8.

RILEY JOHNSON. Opponent. Briefly I refer back to the proponents in this argument. There is a great deal of empathy among all Montanans and certainly among the legislators for these people who are unable to meet their bills on the minimum wage salary; however, I think we have to look at the reality of these two bills and I refer to both of them because I am speaking in opposition to both. I think we have to look at those bills for any raising of minimum wage as the opportunity to try and do something about a situation that is much larger than merely a dollar an hour solution.

First off, anyone here who is working for minimum wage understands that they would like to have more money to buy the food and housing. What has not been mentioned in the proponents arguments is, who pays this? It's Montana's economy and particularly the small business that pays the salaries, that creates the jobs, that takes the risks. Very frankly, the economy in Montana in the small business community is such that it cannot survive trying to answer the welfare problems, the AFDC problems and other social problems in the state of Montana by taping their wallets one more time for another dollar an hour, and particularly by

escalating it to an untold amount in the next two, three, four and five years. First off, we can't budget that far ahead. A small business person budgets and looks ahead at what they can afford and if they can project ahead for a 5 or 10% increase next year they project ahead their work force. They can't do this when they are tied to some unknown figure, which I am glad to hear the October 1988 figure because I went to the library and I couldn't even find the national average. We have to consider who pays this and we have to look at the economy. We have to look at three things in these two bills -- first off, what I call the three escalating factors -- (1) there is an escalating factor by tying it to the national wage. This is what they tried to do with the federal program. (2) The second escalator is what Jim Tutwiler referred to as the "push" or the "ripple effect"; that is, if you have a $5.00 an hour employee and you raise your minimum wage up to $4.50, or whatever it may be, you obviously are going to have to ripple effect that into the higher wage for your other employees and consequently you are raising your costs straight across the board. There is a third escalating factor that I would like to bring out because no one has mentioned it so far. (3) The federal minimum wage escalator. We all know that in 1988 the federal government tried to pass a minimum wage law -- it did not get through. As one of the sponsors of the bill justly pointed out that probably by March or June we are going to have a federal minimum wage bill. There are probably six states that I am aware of at this point that are having either minimum wage bills passed or in the sessions right now. There are a number of states who have already passed minimum wage bills. What is going to happen is the federal people are going to escalate that again to over $5 per hour because there is no sense in setting a minimum wage on the federal level that is lower than the state level. Not only are we looking at an escalator in June of 1988 and October or November of 1988 as Rep. Harrington said, I think we are looking at even a greater raise by the federal standard come 1989. So we're really not looking at $4.65 an hour, but $5.00 to $5.10 or $5.15 an hour.

Again, I go back, who pays this? It is the small businesses primarily in Montana. We cannot afford this because not only are we going to get hit with this minimum wage possibly -- a federal minimum wage -- but, as you well know, mandatory health is just around the corner. Now if we have mandatory health as Senator Kennedy's bill proposed in the federal program just on the present minimum wage would increase another 30% on top of the minimum wages in the state of Montana today. I'm sorry, we cannot afford to do this. We cannot afford to put the small businesses out of business that are creating the jobs that are trying their best. Our answer is that we let the economy set the wages. I feel that the $3.35 an hour as a base is good, it is adequate to meet the economic reality that we have in

Montana today. What I am asking for is that we let the economy set the standard. I have members of mine that would never pay the minimum wage -- do not, will not and cannot, in all honesty. The reason is they know the value of a good employee and they pay for that and they are paying $5, $6 and $7 and $10 an hour, and those are facts because the employee, the economics and the work ethic is worth that to keep it and not have a turnover. That is letting the economy set the wage structure for Montana. NFIB asks that you consider the economy and not just the dollar increase.

LORRAINE GILLIS. Opponent. I represent 3,600 Montana Farm Bureau members and today I also am speaking on behalf of the Women Involved in Farm Economics, Montana Stockgrowers, Montana Cattlewomen and the Association of Grazing Districts.

We go on record in opposition to both HB 28 and 49, but we applaud Rep. Cohen's effort to exclude the under 18 year olds living at home with their parents. This is a serious threat to the agricultural community. We endorse fair and adequate wages and most of our producers pay in excess of the proposed minimum wage in order to assure themselves of competent and trustworthy employees. Agriculture has a great deal at stake in their production to be locked into a minimum wage situation when we often deal with the young and the untrained will not only affect our businesses but will also handicap those individuals who seek part time and seasonal employment. The nature of our industry allows us to employ the untrained in certain areas which benefits both employee and employer. If our industry is subjected to minimum wage it will literally preclude the employment of those seasonal workers. Agriculture income is subject to radical fluctuation, as you all know, and a measure that would tie us into a consumer price index would severely harm our industry.

LARRY McRAE. Opponent. Read from prepared text which is attached hereto as Exhibit #9 and made a part hereof.

CHARLES BROOKS. Opponent. Read from prepared text which is attached hereto as Exhibit #10 and made a part hereof.

LAURIE SHADOAN. Opponent. I am representing the Bozeman Chamber of Commerce as well as an owner-operator of two restaurants and a lounge. I am here today in opposition of HB 28 and 49, both addressing minimum wage issues. The federal government recently the minimum wage issue only to come to a stalemate. The chief reason for the stalemate was due to the economies varying drastically in all fifty states. The same can be said about the economy within Montana.

(Ms. Shadoan then read statistics from a prepared text which is attached hereto as Exhibit #11.

Due to federal regulation wait people are now taxed on a percentage of their tips. In my two restaurants the tipped employees claim for tax purposes $3.25 and $4.75 per hour as tip allocation alone. With the tip allocation and their total wage it brings it to $6.60 and $8.00 per hour. In times of a recovering economic state Montana does not need to regress any further. In comparisons of hourly cash wages for tipped employees Montana is already fourth from the highest out of all fifty states. This minimum wage issue means jobs. Montana needs to continue in a state of recovery. For these reasons the Bozeman Chamber of Commerce opposes the minimum wage increases.

PAUL ODEGAARD. Opponent. Submitted written testimony, attached hereto as Exhibit #11 (a).

DAVE SIMPKINS. Opponent. I own several small businesses in the State. From the small business perspective when we started our business the bank gave us several areas where we should maintain certain percentages, payroll was one of those. Every year we push to the upper level and over that percentage of payroll and in order to maintain a profitable business we have to maintain some sort of balance, payroll versus sales. As sales go up we do increase the wages of our people. There are a lot of them that do start at minimum wage and as they learn and grow and help the business produce their wages are increased. Raising everybody to $4.65 or higher would force us to pay those who are at those wages substantially higher and what that would end up doing in our situation is we would have to have fewer people doing more things and maintain the same basic payroll numbers to maintain a profitable business. We always want to have the best people and pay them as fairly as we possibly can, but competition is another think you have to consider and in the Hallmark business, which we are in, everything is already priced when it gets there and we can't raise prices in order to help offset any increase in payroll.

I urge that you not pass these bills.

JOHN DOUBEK. Opponent. I own and operate a 400 acre ranch in the north Helena valley. I hope I am speaking for most of the ranchers and I think I am, at least in my community, and if not in the whole state and the whole country. I'm opposed to both bills, especially to HB 28. What is that going to do to ranching? How is that going to influence me? It is going to influence me by cutting down on the number of young men I hire on the ranch. I'll probably have to work them harder to get the same job done and/or cut some of the fringe benefits they are getting right now. You know, some of the fringe benefits are quite likeable by a lot of ranch hands. They like to have a bunkhouse where they can bed down and some of them get their meals and some of them

get a car to drive around and many other fringe benefits. I'm sure a lot of those things would be cut out, because they'd have to. We are in an economic field I believe where we take the hard knocks along with the weather and whatever else comes in ranching. This year has been pretty darned good as far as ranching is concerned. The last two years has been a disaster. To add to that, increased taxes, both personal property, real estate, then to heap on that increased minimum wages. Electricity we hear is going up again this year. Everything you hear just about scares you out of ranching every day and Lord only knows why I haven't quit yet but I've been in it 25 years and I hope I can continue.

I just liken the whole agricultural economic setup today as a worn out pasture. We're just not going to get any more grazing out of it. We've grazed down to rock bottom and that's about it. Where are we going to get the money to pay for all these extra things? I think we have been resourceful enough to dig it up in some way in some places. Many of us, including myself, have two jobs. We just have to to meet the bills we have coming in. So that is why I am opposed to both bills, especially HB 28. I am submitting my testimony in outline form, attached hereto as Exhibit #12.

MARY DOUBEK: Spoke from written text, copy attached hereto as Exhibit #13 and made a part hereof.

KATHY KIRSCH: Small business owner from Boulder. Testimony opposing HB 28 and 49.

QUENTIN RHOADES: I address you as a citizen concerned with and alarmed by the economic condition of the poor. Minimum wage legislation does not effectively address these concerns because so few of those stricken by poverty on a national level are effected by minimum wage legislation. My figures will be on a national level but I think that they are analogous to Montana. Only 18% of the minimum wage earners are members of the poor, the other 82% are members of families above the poverty line. Only 600,000 of the almost five million women working minimum wage jobs are heads of households. The majority of the female heads who are not helped by minimum wage laws is because they are now jobless. Further, of the two million plus men who work minimum wage, the majority are students who are members of middle class families; that leaves a small percentage of people -- 600,000 women and less than one million men -- who are living in property who are helped by this legislation. My question is, why squander the political capitol generated by good will which we all have toward helping the poor on faulty legislation that effects only ten percent of the poor.

LEON STALCUP, opponent. Read from written testimony, attached hereto as Exhibit #14.

Questions From Committee Members:

SIMPKINS: Question of Rep. Harrington. I need to ask Rep. Harrington on his income tax, in fact either one of you can answer this because the way I anticipate the income tax is what you are showing here and depicting here is that because the minimum wage would go up $1 an hour we would have an increased income tax collected by the state of Montana. Now I assume that the business person hiring these people pay possibly a larger percentage on the income they earn than the minimum wage person does. Would that be reasonable to assume?

HARRINGTON: Would you rephrase your question. If he is making more money, yes, he will pay more income tax.

SIMPKINS: Well, the business you could expect them to pay a little higher percentage usually on their income than the low income workers.

The other thing, too, wouldn't they also have let's say for that $1 an hour increase we are going to have additional workers' comp, social security.

What I am getting at is that he is going to increase it $1 an hour, he is going to increase his contribution to workers' comp and he is also going to increase the social security. These are all business expenses which will come off, assuming no growth in business, his overall gross intake, therefore he will have a less income in order to pay taxes on and this whole figure is offset because the business itself will not be paying this tax.

HARRINGTON: I guess either the worker is going to be paying it because he is going to be making more money or the business is going to pay it because he is not paying the worker. The difference as far as taxes are concerned is not going to be that great.

SIMPKINS: I am just simply stating to show us as a committee that we are going to gain what you have done here, a positive gain, because we are going to pick up more money in the state because we are going to raise the minimum wage by $1 per hour is a misnomer. I am saying that the best we could do is have a zero impact on the state resources.

HARRINGTON: I disagree with you there. I would say to begin with, once if you could raise the minimum wage you would have more people taking part in the minimum wage and when most people earn that money they are going to spend that money and that is going to put more money into circulation. That is what our whole society is based on -- we can talk about the free enterprise system but the free enterprise is the fact that the person goes in and buys a product, he pays

for it. If the person doesn't make enough money to pay for that product, then the business man doesn't sell. What is happening in this country is something that echoes back to about 1928, when the fact is if you keep driving the wages down on some of these people, slowly but surely these people aren't going to have the money to purchase the item. I do feel basically that once the individual does receive more money that there are more taxes paid and it puts more money into circulation which does help the economy.

RICE: Question for Rep. Cohen. In your testimony I believe you stated some information with regard to the eleven other states who had raised their minimum wage above the federal level. In testimony this afternoon, I believe it was Ms. Shadoan who indicated that only two states, California and Connecticut had minimum wages above $4 and that was $4.25 an hour. From your research, do you know if that is correct?

COHEN: As you were told, there are two states now that have minimum wage above $4 per hour. As to whether or not there is any state today that has a minimum wage of $4.35 an hour I cannot address that question. As I told you earlier, the reason I chose $4.35 is because that just barely brings us back even in buying power to where we were in 1981 when the federal minimum wage was locked in and the purpose of my bill is not to be higher or lower than some other state, but to return the buying power to low income people who are receiving minimum wage. Does that clarify why my amounts were $4.35, not comparing us to other states. Justice is what I am after.

RICE: You are not aware of where we stand though as far as other states right now?

I would go ahead and ask Ms. Shadoan then if she knows the answer to that question.

SHADOAN: My statistics vary just slightly from the eleven. There are actually twelve and that difference is that Pennsylvania's minimum wage actually goes up February 1. The two, Connecticut and California, are at $4.25 and I have the statistics here from the Department of Labor and it was just updated -- I just talked to them this morning, so there are some recent updates. Rhode Island is at $4.00; Alaska, Hawaii, Minnesota and Washington are at $3.85; Massachusetts and Maine are at $3.75; Pennsylvania is at $3.70; New Hampshire and Vermont are at $3.65.

RICE: Could you present that information to the committee, please.

SHADOAN: Yes, I will. (This information is attached hereto as Exhibit #11, previously referred to).

RICE: Question of Mr. Brooks. I believe you stated in your

testimony that 70% of minimum wage earners come from families with wages that are currently 200% of the poverty level, is that correct?

BROOKS: That is correct.

RICE: Would the exclusions in Rep. Cohen's bill apply to a lot of those people who are in that 70% category?

BROOKS: In the retail field we do employ youngsters below the 18 year old, but a lot of the students are 18 years and above. I cannot give you the exact percentages, but I would be happy to make available to you if you so desire the Dahkelburg study.

THOMAS: Question of the department (Mike Stump, bureau chief, will answer). How does the state and the federal minimum wage work together. Which prevails over the other, is my main question.

STUMP: My name is Mike Stump, with the employment relations division. At the present time there are a number of tests that are used to determine whether the federal or the state law covers a business or an employer. Some business are automatically covered by the federal law. These are those that are engaged in interstate commerce, private hospitals, schools, state and public subdivisions of government are included under the federal minimum wage law at the present time. Section 218 of the Fair Labor Standard Act, which is the federal minimum wage law, has a clause in it that states that if a municipal or state law has a higher standard that would prevail. This means that if a minimum wage were higher under state law that would prevail in businesses under the coverage of the federal law.

THOMAS: What about other businesses other than those that you mentioned?

STUMP: Primarily you are talking of retail businesses up and down main street, businesses that do over $362,500 in gross annual sales are under the coverage of the federal law; if they do less than that they are under the coverage of the Montana law. If an employer has several outlets, then those outlets if they are in a similar type business such as several drive-in restaurants, those are combined together to determine coverage under the law to meet that test.

With reference to farming or ranching, it sounds like a complicated formula that the U.S. Department of Labor uses but, briefly, what it is if a farmer has 500 man days of labor in any one quarter then in the ensuing year he is under the coverage of the federal law. A man day of labor can be one hour by one employee or 16 hours. What they use as a rough translation is that if that farm has more than

six employees it falls under federal coverage, less than that under coverage of the Montana law.

THOMAS: So if we raise this like in HB 49 to $4.35, essentially all minimum wage would go up in Montana.

STUMP: As long as the federal minimum wage does not change. At the present time if the Montana law had a higher figure then that would be the prevailing law.

KILPATRICK: Question for Rep. Cohen. You may have mentioned this, but would you tell me the rationale behind your excluding the 18 year olds from the minimum wage.

COHEN: When I put that in it was put into the draft, I was considering a young person living at home with one or two wage earners where that child was not really responsible for making any provision for his family's well being but was just working at a job saving for a car or a college education, something of that sort. As you know if you have tracked this, this bill was a pre-introduced bill, there are some real problems with that exclusion. There are problems in our constitution with discriminating by age; and I have since learned that there are a significant number of high school age kids who are working who are in fact are the only gainfully employed members of their family and I don't think that in that case that person should be paid a subminimum wage. I think that perhaps rather than the way it is worded in my bill we should be looking instead at the kinds of deductions people declare on their federal taxes. You know in the past a student working could declare one deduction and his parents could also him as a deduction but that is no longer the case. If the parents are declaring this deduction the student can't declare himself. So maybe we should be looking at the deduction and not just the age, which might violate our state constitution.

THOMAS: Question for Stump. With this provision in HB 49 that allows for a teenager, just say that, to be exempt by the state minimum wage, would they then be subject to the federal minimum wage or how does that work?

STUMP: Only if the federal law covered that particular employment or that particular business. Some businesses even go further on the individual coverage, maybe employees covered under the federal law, some covered under the state law, but if the federal law covers that employee in that particular business, again the retail business that does over $362,500, whatever you might pass in the Montana law would not affect that employee.

THOMAS: So the main group of people that could be affected by this teenage exemption would be retail business as a general classification with sales under $362,500.

STUMP: It would be any business that would be under the coverage of the Montana law, probably if it was a major one it would be in that area.

O'KEEFE: First an observation -- I heard from the sponsor that in the eleven or twelve states that have raised minimum wages, there have been no loss of jobs. We hear from the Chamber that the loss of jobs at the federal level, with the federal minimum wage increase, would result in the loss of .2% to .4% of total employment.

Question for the department. What is total employment in Montana and what would that .2 to .4% mean in loss of jobs?

BOB RAFFERTY: Chief in the research analysis bureau, Montana Department of Labor and Industry. The last official count for total employment in the state of Montana was 374,300.

(several people talked here and Rep. Thomas was figuring this out on the computer)

O'KEEFE: So 749 jobs, if we use a .2%, my question then may be to the chamber is, Jim if you could, how long are those jobs lost for in these states or at the national level? Do they come back and how quickly would the increased spending that you would expect from the low income people who receive that wage? If you don't have an answer for that maybe you could tell me how to find that out?

JIM TUTWILER: The figures I presented in testimony before the committee were derived from a congressional budget office workup that was done in consideration of the proposed federal increase in minimum wage. (Attached is a copy of the information from the congressional budget office as Exhibit #8). I'm not privy to what sources they use or what rationale and the question you ask I would suspect would take some research, I didn't anticipate that question and I do not have the information available, nor do I know where to find it. I would suspect we would have to look at the University Business and Education Research Foundation in order to find that kind of information.

SIMPKINS: Question for Brenda Nordland. I think you testified on welfare and the work force. When the minimum wage was increased to $3.35 in Montana last time did we see any depreciable decrease in the amount of money that is paid out in welfare benefits in this state?

NORDLAND: I'm sorry, I do not have that information and I cannot answer your question.

SIMPKINS: Question for one of the sponsors. Didn't you claim that if we raise the minimum wage the AFDC, Medicaid, and all this sort of stuff is going to go down? When we raised the minimum wage to $3.35 do we have anything to show that

we had an appreciable decrease in any of our welfare programs in the state, or family assistance or any of the assistance programs.

COHEN: I can't answer that question as such. The problem there is that when we raised our state minimum wage up to the level of the federal minimum wage, we already had a tremendous number of people earning federal minimum wage because of the federal standard, as Mr. Stump from the department explained. So there was not the same number of people whose wages were being increased, just those who were coming under the state regulation. Our federal minimum wage reached $3.35 in 1981 and our state in 1985.

Closing by Sponsor:

COHEN: As I predicted, you heard the fearmongers from the Chamber, predicting loss of jobs, something that hasn't happened in any of the other states. Not only that, if you listen carefully, I heard a real interesting thing -- I heard that people who are on minimum wage are people who have lost out in the genetic lottery (from testimony of Jim Tutwiler from the Chamber of Commerce), do you know who he is talking about? He is talking about women and he is talking about minorities.

The 1981 legislature made tremendous tax cuts for business, we were going to go on the whole federal bandwagon of supplyside economics. We were going to benefit from trickle down economics in this state, the same as the nation was going to benefit. The nation never benefited from trickle down economics. The so-called economic recovery has been military cainzianism, it has been deficit spending to boost the economy of the nation and that's all that has happened. If you take a look at where you can spend money in an economy and where it will have the greatest multiplier of fact, where it is going to do turnover most frequently in the community and have the greatest impact on the community, you discover when you put money in the hands of low income people it gets spent in the community. When you put money in the hands of high income people it gets spent out of the community, or reinvested, not necessarily in the community.

We have been told that high income people are going to make less money and so there is going to be a net balance in taxes -- that's not true. Those high income people are going to make more money because when that money turns over two, three and four times in their community, they are going to get the benefit of it over and over again as people continue to come into their stores and shops and purchase from them. We also hear talk about fair free market, how we have to go back to free market and the state and government shouldn't be involved in setting wages at all, well that Fair Labor Standards Act first passed back in 1938 that

wasn't just minimum wage, it was more than minimum wage, but we seem to have such short memories we forget about child labor, we forget about sweat shops, we forget about piece work, we forget about the mines. It was only two generations ago that the mine tunnels were so small that they used children in the mines because they were small -- they could pay them less and they didn't have to make the shafts as high, they could get them through the tunnels easier. That's less than a hundred years ago that that was going on in this country and in Europe. Is that what we are going to have to get back to before we remember that this country is supposed to be based upon justice and some compassion for people who perhaps are not as well off as us and think of those children raised in poverty. Think of the kinds of lack of nutrition, lack of education, lack of proper care that we already know tend to reinforce and create a cycle of poverty, one that is harder and harder to break out. We know, because we have done it in the past in this country, when we give people a decent wage, enough money to live at a decent human standard, that people can better themselves. Let's help everyone in this state to better themselves and stop blaming Montana and talking about the bad business climate and start moving ahead doing something for the working people who are the backbone of this state.

HARRINGTON: In 1971 the state of Montana passed its first minimum wage and it was $1.20 and I bet the same groups were in here in 1971 telling us the same thing they were saying here, that it was going to devastate the economy out there. Of course we all know that didn't happen. What it basically shows is that we have come up $2.25 in a matter of 17 years. We have also heard "let the market set the standard." Well, let's look at what the market would have done. Would the market set an 8-hour work day? Probably not. We had to pass that by law. The 40-hour work week. Minimum wages? Can you imagine what the minimum wage would be if we let the market set the standard for this? We had a statement that was made that this bill would devastate the farmers and ranchers. It's not going to devastate them. Eighty percent of the amount of money that comes from minimum wage goes for room and board and that's what they charge out of this and that's what the law reads.

The Chamber of Commerce opposed both these bills today. The Chamber of Commerce also supported I 18 and in a few weeks you are going to see the trickle down from I 18 coming across that floor over there. We are going to look at general assistance, aid to dependent children, and other programs being cut by I 18. Sometime they are going to be a little progressive. Yes, we are going to pass a federal minimum wage and it will be passed in the future and certain people will benefit by it. I want you to look at these bills. I feel we have to get some type of a minimum wage out of this legislature this time. People cannot live on

$3.35 per hour. Mr. Tutwiler also said that raising the minimum wage would be artificially inflating the economy -- bringing people up to a livable wage is artificially inflating?? I have real problems with that. You are not artificially inflating, you are giving them a living wage. People out there could live on it and there are a lot of people out there who are not getting a livable wage.

I have to congratulate the last legislature for taking off the tip credit. As long as I was here it took until last session to get that tip credit out of there for these people. They're being taxed on these tips, but to get that tip credit out was a benefit to the waitresses who work in these places, to help them get to a living wage and that's all we're talking about here.

We have to come out with a higher minimum wage. What affect is it going to have on the welfare system? I think it will be measurable. A lot of people have to go on welfare because they cannot live on this because there is no medical care and they have nothing else. They go to welfare because they have to protect their families.

RUSSELL: That concludes the hearing on HB 28 and 49.

ADJOURNMENT

Adjournment At: 5:00 P.M.

Angela Russell

REP. ANGELA RUSSELL, Chairman

AR/mo

1409.MIN

DAILY ROLL CALL

LABOR AND EMPLOYMENT RELATIONS COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 1-17-89

NAME	PRESENT	ABSENT	EXCUSED
Rep. Angela Russell, Chairman			
Rep. Lloyd "Mac" McCormick,VC	✓		
Rep. Vicki Cocchiarella	✓		
Rep. Duane Compton	✓		
Rep. Jerry Driscoll	✓		
Rep. Bob Pavlovich	✓		
Rep. Bill Glaser	✓		
Rep. Tom Kilpatrick	✓		
Rep. Thomas Lee	✓		
Rep. Mark O'Keefe	✓		
Rep. Jim Rice	✓		
Rep. Richard Simpkins	✓		
Rep. Clyde Smith	✓		
Rep. Carolyn Squires	✓		
Rep. Fred Thomas	✓		
Rep. Timothy Whalen	✓		

Form BD-15S

There is hereby submitted a Sponsor's Fiscal Note for: _____, Version: _____

Assumptions:

1. Tax revenues will increase due to more people in higher tax bracket.
2. Cost to state to administer DOLT programs will not increase any more than ordinarily.
3. Top revenues effected by possible federal tax credit law will not reduce net tax gain by any substantial amount.

Fiscal Impact:

	Min. Wage	Annual Gross Income	Standard Exemptions	Adj. Gross Income	# Tax Returns	Tax Collected	Net Gain from $3.35/Hr.
FY'86-'88	$3.35/hr	6,968	1040	5928	19,334	1,270,003	
FY'89	$4.25/hr	8,840	1190	7650	16,886	1,902,564	632,561
	$4.35/hr	9,044	1190	7854	16,886	1,902,564	
	$4.65/hr.	9,672	1190	8482	15,899	2,234,967	964,964

PRIMARY SPONSOR DATE

Fiscal Note for: _____ Version: _____

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HB 28

EXHIBIT 8
DATE 1-17-89
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INTRODUCTION

An Amendment to the Fair Labor Standards Act of 1938 currently under consideration by the 100th Congress (H.R. 1834 in the House of Representatives and S.837 in the Senate) would increase the federal minimum wage from the current rate of $3.35 per hour. Commencing January 1, 1989 the rate would be $3.85 per hour, moving to $4.25 per hour on January 1, 1990 and $4.65 per hour on January 1, 1991.

Previous studies have overwhelmingly indicated that the proposed minimum wage legislation will result in a decrease in employment particularly for individuals with lower skill levels. Implicit in these research findings is that some of the individuals whom minimum wage legislation is intended to benefit, in terms of a higher hourly wage, are actually harmed by it because employers are not willing to pay the higher cost of their services, thereby rendering them disemployed.

An issue that has received less attention is the impact of increases in the minimum wage on the total costs of production. The purpose of this study is to estimate the extent to which increases in the minimum wage affect individuals earning in excess of the minimum, on the companies that employ them, and on American business and the economy as a whole.

CONCLUSION AND FINDINGS:

Raising the minimum wage will impact the economy's entire wage structure. Even employers who presently pay more than twice the minimum wage will be affected by the proposed increase due to the *ripple effect.* The ripple effect is driven by the need to reward employees for their level of skill, training, responsibility, and seniority by maintaining pay differentials. *Ripple* increases are larger, both in absolute and percentage terms, for wage

earners closer to the minimum wage. To maintain a wage differential in the face of a minimum wage increase to $4.65 in 1991 would require that an employer increase the pay of an employee who would otherwise earn $6.00 an hour to $6.73. An employee who would earn $8.00 an hour would receive $8.35 under this same scenario (see Table 1). While both of these employees would face a reduced demand for their labor services because of the *ripple*, both the percentage and dollar increases are greater for the less highly paid employee (see Table 2). Accordingly, it is this type of employee who will face the most difficult market for his existing job skills and abilities. At every point in time the production process involves choices between competing technologies -- man vs. machine, as well as advantages between competing locations -- domestically produced for the home and foreign market vs. foreign production for the world market. Ripple-induced increases skew these choices away from domestic employment.

As the diagram below reflects, individuals who expected to earn $8.00 would receive $8.35 with the proposed minimum, a 4.4 percent increase in the cost of their labor. An individual who would be earning $4.00 in 1991 with a static minimum wage would require a 28.8 percent increase (to $5.15) to maintain wage differentials. For the worker otherwise earning $6.00 an hour this would be a ripple induced increase to $6.73. Data from the University of Michigan Panel Study on Income Dynamics validates the ripple phenomenon.

1991 Expected Hourly Wage	Increase	1991 Wage if Minimum is $4.65
$4.00	+28.8%	$5.15
$6.00	+12.2%	$6.73
$8.00	+4.4%	$8.35

Nationally, the ripple effect of raising the minimum wage would result in a cumulative rise in U.S. labor costs of 2.11 percent (see Table 3). This translates annually into an additional $48 billion cost for American business. This $48 billion will result in aggressive efforts to reduce costs on the part of American industry. The effect will be to reduce employment opportunities not only for minimum wage earners but for workers earning in excess of the minimum: it represents a cost before any accounting of lost wages due to disemployment resulting from the increase.

Historical analysis indicates ripple effects resulting from the 1975-1979 minimum wage increases were 2.3 percent nationally but significantly higher for industries employing large numbers of workers 16-19 years of age (see Table 4). These industries faced escalating labor costs of more than 18 percent.

Our findings are consistent with an earlier report in 1981 to the Minimum Wage Study Commission appointed by former President Carter. A report to that Commission[1] determined that a ten percent increase in the minimum wage at that time would have resulted in a .76 percent increase in the wage bill for the Nation. Based on those results, an increase in the minimum wage from the present rate of $3.35 to $4.65 per year would result in a 2.96% total increase in labor costs for the Nation. According to that study, the $4.65 an hour minimum would produce rippling effects that would add $68 billion to the national wage bill.

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[1]Sellekaerts, Brigitte. "Impactof Minimum Wage Legislation on Wage and Price Inflation." In *Report of the Minimum Wage Study Commission*, Volume VI. Washington, D.C.: U.S. Government Printing Office, 1981, pp. 1-17.

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TABLE 1

Effects of the Proposed Increases
in the Minimum Wage On Wages

Wage In Absence of Minimum Wage Increase	Minimum Wage of $3.85 in 1989	Minimum Wage of $4.25 in 1990	Minimum Wage of $4.65 in 1991
$ 4.00	$ 4.41	$ 4.76	$ 5.15
$ 5.00	$ 5.37	$ 5.68	$ 6.00
$ 6.00	$ 6.24	$ 6.48	$ 6.73
$ 7.00	$ 7.18	$ 7.34	$ 7.51
$ 8.00	$ 8.11	$ 8.22	$ 8.35
$ 9.00	$ 9.04	$ 9.08	$ 9.16
$10.00	$10.00	$10.03	$10.09
$11.00	$11.00	$11.00	$11.03

Employers who presently pay more than twice the minimum wage will be affected by the proposed increases due to the "ripple effect".

The largest absolute and percentage increases in the wage rate due to the "ripple effect" are for those workers receiving wages closest to the minimum. For example, the wage of an individual equal to $4.00 in the absence of an increase in the minimum wage would equal $5.15 with a minimum wage of $4.65, which represents a 28.8% increase in the cost of their labor. The wage of an individual equal to $8.00 in the absence of an increase in the minimum wage, on the other hand, would equal $8.35 with a minimum wage of $4.65, which represents a 4.4% increase in the cost of their labor.

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TABLE 2
HISTORICAL EVIDENCE OF A RIPPLE EFFECT

Estimated Effects of the Increase in the Minimum Wage
from $2.10 in 1975 to $2.90 in 1979
on Wages in 1979

If Actual Wage in 1975 Had Been	Predicted Wage in 1979 WITH Minimum Wage Increase	Predicted Wage in 1979 WITHOUT Minimum Wage Increase	Difference	% Increase
$3.00	$4.50	$3.82	$0.68	17.8
$4.00	$5.73	$5.19	$0.54	10.4
$5.00	$6.89	$6.57	$0.32	4.9
$6.00	$8.14	$8.00	$0.14	1.7
$7.00	$9.38	$9.38	$0.00	0.0

An increase in the minimum wage will not affect all individuals by the same amount. The extent to which the wage of such individuals is affected by changes in the minimum wage depends on: (1) the similarity of tasks workers do as compared to minimum wage workers and (2) substitution effect between given workers and worker earning the minimum wage.

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TABLE 3
Effects of Proposed Minimum Wage
On
Total Labor Costs

	YEAR		
	1989	1990	1991
Percent Incremental Increase in Total Labor Costs[*]	0.90	0.63	0.57
Cumulative Increase in Total Labor Costs[*]	0.90	1.54	2.11
Percent Incremental Increase in Labor Costs for Industries with 80% of Employees Less than 25 Years of Age[##]	3.59	2.51	2.27
Percent Cumulative Increase in Labor Costs for Industries with 80% of Employees Less than 25 Years of Age[##]	3.59	6.19	8.60

- Raising the minimum wage from $3.35 per hour to $4.65 per hour would result in a cumulative rise in U.S. labor costs of 2.11 percent. The dollar cost of this increase based upon wages and salaries of $22933 trillion (seasonally adjusted annual rate) in January 1988 would add over $48 billion annually to the wage bill of American business before taking into account lost wages due to disemployment.

- The cumulative rise will be greater for industries employing individuals less than 25 years of age with labor cost increases exceeding more than eight percent.

*Assumes a projected age distribution of employment whereby only approximately 21 percent of the workers are less than 25 years of age.

##Assumes 80 percent of workers are less than 25 years of age whose age distribution is in conformance to that reported by the Bureau of Labor Statistics for the workforce as a whole.

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TABLE 4
Effects of the Increases in the Minimum Wage
From $2.10 in 1975 to $2.90 in 1979
On Total Labor Costs

Age Category	Number of Individuals in 1979[#]	Hourly Wage Expenditures in 1979 WITH the Minimum Wage Increase[*]	Hourly Wage Expenditures in 1979 WITHOUT Minimum Wage Increase[##]	Proposed Increase in Wage Expenditures Due to the Increase in the Minimum Wage
16-17	1,760	8,627	7,226	19.4
18-19	2,475	13,385	11,361	17.8
20-24	7,533	46,751	43,248	8.1
25-34	15,134	121,785	119,397	2.0
35-44	11,013	112,428	111,209	1.1
45-54	9,776	107,794	107,794	0.0
55-64	6,946	68,123	68,123	0.0
65+	1,862	14,997	14,324	4.7

- Some salaried workers with hourly wage equivalents to those considered in Table, "Estimated Effects of the Increase in the Minimum Wage from $2.10 in 1975 to $2.90 in 1979 on Wages in 1979", might also be subject to the ripple effect. If the latter are included as candidates for a ripple effect and if the magnitude of the ripple effect is assumed to equal that for hourly wage workers, the percentage increase in labor costs in 1979 associated with the increase in the minimum wage from $2.10 to $2.90 would increase to 2.7 percent.

#In thousands

*In thousands of dollars

##In thousands of dollars

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METHODOLOGY

MINIMUM WAGE INCREASES:

This report is based upon wage increases of $.50; $.90 and $1.30 over the existing $3.35 minimum for hourly rates of $3.85 in 1989; $4.25 in 1990 and $4.65 in 1991.

PROPOSED MINIMUM WAGE INCREASES

	Proposed Minimum Wage (A)	Proposed % of Non-Agri. Wage (B)	Existing % of Non-Agri. Wage (C)	Percentage point Difference (D)	$ Difference proposed and $3.35 existing (E)
1989	$3.85	35.7%	31.0%	4.7%	$ .50
1990	$4.25	37.1%	29.3%	7.8%	$ .90
1991	$4.65	38.3%	27.6%	10.7%	$1.30

(A) Minimum wage levels for years 1989 through 1992 are as stated in H.R. 1834.

(B) Proposed minimum wage divided by the average private, non-supervisory, non-agriculture hourly wage in the same year multiplied by 100. Calculated in Testa-Ortiz (1987).

(C) Minimum wage value of $3.35 divided by the average non-supervisory, non-agricultural wage in the same year, multiplied by 100.

(D) Difference of (B) and (C).

(E) (A) minus the present minimum wage value of $3.35.

The existing percent of the non-agricultural wage (C) declines over time as inflation or worker productivity increases. Although inflation and worker productivity growth over time may help to reduce the impact of the increased minimum age, the escalating price of labor will reduce the demand, particularly for the least skilled and least educated individuals who are most in need of employment.

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ISTORICAL EVIDENCE OF A RIPPLE EFFECT/TECHNIQUES:

The University of Michigan *Panel Survey on Income Dynamics* (MPSID) was utilized the historical analysis. A sample of males who received hourly wage compensation and ho were employed continuously from 1975 through 1979 was surveyed. The wages of these dividuals in 1975 were related to a number of characteristics such as age, race, education d experience through regression analysis. The analysis limited the ripple effect of inimum wage increases to individuals with an hourly wage rate less than or equal to three nes the level of the minimum wage. To the extent that the ripple effect goes beyond this el of wages, the current analysis would yield underestimates of the ripple effect.

The next step in the analysis repeats the regression analysis for the 1979 wages of all dividuals in the sample and allows the wage growth between 1975 and 1979 to depend on e level of the wage in 1975 relative to the minimum wage in both 1975 and 1979.

STORICAL EVIDENCE OF A RIPPLE EFFECT:

Over the 1975-1979 period, both inflation and worker productivity gains led to reases in the wages received by all individuals in the sample. However, the results of regression analysis indicate that the 1979 wages of employees with relatively lower wages 1975 increased more substantially than employees with relatively higher wages. This icates the presence of a ripple effect.

E SUBSTITUTION FACTOR:

The measurement of any ripple effect is lessened by the substitution factor. Higher es stimulate employers to seek non-labor inputs that provide the same services. ilarly, individuals formerly out of the workforce are encouraged to enter the market by presence of higher wages and serve to depress the wages that would otherwise have

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been offered while displacing individuals already in the labor force. As the substitution possibilities become apparent to employers the lowest skilled workers will be disemployed and replaced, either by higher skilled workers not previously in the labor market or by non-labor inputs, diminishing the measured ripple effect.

HISTORICAL IMPLICATION FOR INCREASES IN TOTAL COSTS:

The total impact of wage increases can be inferred from the results only if the number of various wage categories are known. The approach taken is to project individual wages by age and to relate these results with aggregate calculations of the age distribution of employment in 1979 supplied by the U.S. Bureau of Labor Statistics (*Employment and Earnings*; Washington, D.C., U.S. Department of Labor, Bureau of Labor Statistics.)

CARTER COMMISSION MINIMUM WAGE STUDY

A study to the Minimum Wage Study Commission[2] reported that an increase of 10 percent in the minimum wage had a direct impact on wages of .26%, a "ripple" effect of .39% and other effects of .11%, for a total increase of .76%. Based upon those findings, raising the current minimum wage to $4.65 would increase the national wage bill by 2.96 percent, adding over $68 billion to the cost of American business.

[2]Sellekaerts, *op cit.*

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HB 28 & 49

Please Print

WITNESS STATEMENT

NAME LARRY McRAE BILL NO. 49 & 28

ADDRESS 1701 HWY. 93 SOUTH, KALISPELL

WHOM DO YOU REPRESENT? MONTANA INNKEEPERS ASSN.

SUPPORT _____ OPPOSE ✓ AMEND _____

COMMENTS: SEE ATTACHED

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Form CS-34
Rev. 1985

BY THE VERY ACT OF TESTIFYING AGAINST HOUSE BILLS 49 AND 28 MANY PEOPLE WILL PERCEIVE US AS THE GUYS IN THE BLACK HATS ! I ASSURE YOU, WE IN THE INNKEEPING INDUSTRY DO WANT OUR EMPLOYEES TO EARN A DECENT LIVING, AND ARE ELEVATING WAGE SCALES AS QUICKLY AS THE ECONOMICS OF OUR BUSINESSES ALLOW. THE FACTS ARE HOWEVER THAT FOR THE PAST FIVE YEARS MOST OF US IN THE HOTEL/MOTEL BUSINESS HAVE HAD VERY DIFFICULT FINANCIAL PROBLEMS, AND SEVERAL HOTELS AND MOTELS HAVE IN FACT CLOSED. F S L I C HAS INHERITED THE PROBLEMS OF TWO MAJOR PROPERTIES IN RECENT MONTHS AND JUST A FEW WEEKS AGO ANOTHER MAJOR PROPERTY WAS TAKEN OVER BY AN INSURANCE COMPANY LENDOR. YOU SHOULD BE AWARE THAT THERE IS PROBABLY NOT A SINGLE "LEVERAGED" HOTEL/MOTEL/CONVENTION PROPERTY IN MONTANA THAT HAS NOT BEEN THE SUBJECT OF SOME SORT OF FINANCIAL RESTRUCTURING OR WORKOUT IN THE PAST FOUR YEARS !

1988 WAS A BETTER YEAR THAN MOST OF US IN TRAVEL INDUSTRY HAD DARED HOPE FOR, AND AT LAST WE ARE ABLE TO SEE SOME LIGHT AT THE END OF THE TUNNEL. IF BUSINESS CONTINUES TO IMPROVE LOSSES MAY BECOME THE EXCEPTION AND WE MAY ONCE AGAIN BECOME PROFITABLE ! IMPROVEMENT OF BUSINESS WILL ALLOW US TO MAKE FURTHUR WAGE INCREASES TO OUR STAFFS AND HIRE MORE PEOPLE BUT WE DO NEED TIME TO RECOVER FROM THE PAST SEVERAL "BUST" YEARS.

OUR INDUSTRY IS OFTEN CRITICIZED AS ONE THAT PROVIDES ONLY LOW PAYING JOBS AND PERHAPS AT ONE TIME THAT CRITICISM WAS JUSTIFIED. TODAY HOWEVER IT IS FOR THE MOST PART SIMPLY NOT TRUE. THE AVERAGE HOURLY WAGE IN MY PROPERTY, EXCLUDING MANAGEMENT IS $5.57 PER HOUR, EXCLUDING PAYROLL TAXES, INSURANCE AND MEALS, WHICH ACCOUNT FOR AN ADDITIONAL FIFTEEN PER CENT!

OTHER EXAMPLES ARE A 60 ROOM ECONOMY PROPERTY WITH NO FOOD AND BEVERAGE AND AN HOURLY AVERAGE OF $4.19, A 116 ROOM ECONOMY PROPERTY WITH AN HOURLY AVERAGE OF $4.70 . A WELL KNOWN RESORT WITH A POOR HISTORY OF OPERATING SUCCESS HAS AN AVERAGE HOURLY RATE OF $5.10, A SMALLER PROPERTY LOCATED IN LIVINGSTON WHICH HAS HAD A TROUBLED ECONOMY IN RECENT YEARS AVERAGES OVER $4.00, A 126 ROOM HOTEL WITH FOOD AND BEVERAGE LOCATED IN A COMMUNITY WITH AN AGRICULTURAL BASE PAYS AN AVERAGE OF $4.25 , AND A WELL KNOWN ECONOMY CHAIN AVERAGES $4.65 IN SEVERAL CITIES. WE CANNOT DENY THAT THERE ARE PEOPLE MAKING $3.35 AN HOUR BUT YOU MUST REMEMBER THAT MANY OF THESE PEOPLE ARE ALSO RECEIVING TIPS. OTHERS ARE UNSKILLED, BUT BY WORKING IN OUR INDUSTRY THEY ARE PROVIDED AN OPPORTUNITY TO LEARN A SKILL AND ARE ABLE TO BE PROMOTED TO HIGHER PAYING POSITIONS.

WHY WITH ALL OF THESE GLOWING REPORTS ARE WE CONCERNED WITH A MINIMUM WAGE INCREASE? FIRST OF ALL, WITH MONTANAS TROUBLED ECONOMY AND THE DIFFICULTIES WE

EXHIBIT 9
DATE 1-17-89
HB 2849
3 of 3

ARE EXPERIENCING IN ATTRACTING NEW BUSINESSES WE BELIEVE THAT THIS WILL BE ANOTHER OBSTACLE TO SOMEONE WHO WOULD CONSIDER MONTANA AS A PROSPECTIVE LOCATION. WITH THE NUMBER OF BUSINESS FAILURES ACROSS OUR STATE IN THE PAST FEW YEARS CAN WE AFFORD TO BECOME A LEADER IN THE NATION WITH A MINIMUM WAGE WHICH WOULD EXCEED THE FEDERAL LAW BY 30 PER CENT OR MORE? SECONDLY, IF THE MINIMUM WAGE IS INCREASED BY 30 PER CENT, IT WILL AFFECT PAY SCALES FOR BOTH HOURLY AND SOME SALARIED PERSONNEL AS EVERYONE WILL EXPECT THAT THE FORMER SPREAD BETWEEN THEIR PAY AND $3.35 BE CONTINUED AT THE SAME VARIANCE. THERE IS JUST NO WAY THAT ANY BUSINESS CAN ABSORB INCREASES OF THESE MAGNITUDES WITHOUT RAISING THEIR PRICES AT LEAST AS MUCH (AND BECAUSE OF PASS ON BY THEIR SUPPLIERS), VERY LIKELY MORE THAN THE ACTUAL PERCENTAGE OF MINIMUM WAGE INCREASE. THIS COULD WELL MEAN INFLATION IN OUR INDUSTRY OF FIFTEEN TO TWENTY PERCENT!

IT IS ALMOST A CERTAINTY THAT A NEW FEDERAL MINIMUM WAGE BILL WILL BE PASSED BY CONGRESS THIS YEAR, AND THE MONTANA INNKEEPERS WILL NOT OPPOSE THAT LEGISLATION. WE DO ASK THAT HOUSE BILLS 49 AND 28 NOT BE PASSED. WE NEED TO ALLOW MONTANA EMPLOYERS TO OPERATE UNDER THE SAME RULES AS THE REST OF THE NATION, AT THE SAME TIME, AND UNDER THE SAME CIRCUMSTANCES!

EXHIBIT 11(A)
DATE 1-17-89
HB 28

BUTLERS KITCHEN
BROASTED CHICKEN
1905 Grand Ave. - Billings, MT 59102 - (406) 252-1934

January 17, 1989

Angela Russell, Chairperson
Labor & Employment Committee
Montana House of Representatives
Capitol Station
Helena, MT 59620

Dear Representative Russell:

I am writing to you with regard to your hearings on Wednesday for the minimum wage increase Bills to be heard in your committee on Wednesday. Please convey my message to all of the members of your committee.

My wife and I have Butlers Kitchen here in Billings where we specialize in family dining with no beverage license. We find it more difficult each year to make ends meet with all of the new taxes and regulations that are imposed on us. One of those taxes is with regard to the tipped employees. We have raised our prices again to meet the new higher level of taxes that we have had to pay. Also food costs have increased dramatically over the past year.

We want to keep the prices reasonable for our customers and yet an increase in the amount of minimum wage would be detrimental to our business. Every two weeks we pay out approximately 1700 hours of payroll. The majority of these are paid less than $4.25 per hour. If we were to increase the minimum wage to $4.35 or $4.65 + col then I would need to give all of my employees a similar wage increase because of their experience and longevity. I would say that I would have to give an average of 80 cents per hour increase. That times the 1700 hours equates to $1,360.00 every two weeks. At a minimum that would equal $35,360 in increase in a years time.

There is one thing that is obvious - either I would have to increase my prices of dinners considerably or cut my labor force. Either would be harmful for all Montanans.

Businessmen and Legislators are crying for a pro business attitude in this state. This is not the way to ask businesses to set up shop here in the state. If the US Congress passes a minimum wage increase then all states would be on a par. Why shoot ourselves in the foot when we are trying to get out of a hole.

Please listen to a grassroots Montanan who has resisted once to leave the State.

Yours truly,

Paul N Odegaard

pg 1055

EXHIBIT 12
DATE 1-17-89
HB 28

WITNESS STATEMENT

Please Print

NAME JOHN DOUBEK JR BILL NO. HB 28

ADDRESS 7645 No. Montana Helena

WHOM DO YOU REPRESENT? myself

SUPPORT _____ OPPOSE X AMEND _____

COMMENTS: prepared paper to be submitted.

unaffordable in most cases
(depends on employee).
Against free-enterprise.
Flat/Rank earnings percentage
without further taxes.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Form CS-34
Rev. 1985

Chairman & members of this Committee:

EXHIBIT 12
DATE 1-17-89
HB 28
2 of 5

I am opposed to H.B. 28 because:

1. It is contrary to free enterprise.
   - Generally inexperienced help is not equal to the proposed salary and is a liability.
   - Less jobs for the younger person
   - The employer only knows what an employee is worth.
   All ranch/farm income is not constant - some can afford to pay better and their employees deserve more.
   Many of us are forced to have second incomes.
2. Will lessen fringe benefits
   Many ranch/farm employees prefer such benefits to cash allowances.
3. Ranch/Farm economy in contrast with fixed minimum wage. Can't pass increases to consumers.
   Fluctuations in agric income will cause more layoffs in bad years, and not necessarily raises for employees in good years since our margin of profit is even lower than usual (like an "over-grazed pasture"). Some years we do not ourselves make a minimum wage.
4. State ultimately will suffer:
   Your assumption of increased revenue is grossly overrated. I personally will have to live within my labor budget.
   More will seek unemployment benefits.
   With other costs rising (Workmen's Comp., liability insurance, etc), labor expenditure will also be cut.
   More kids without something to do leads to trouble. We can teach them a lot on the Farm and ranch.

Respectfully,

Arlin E. Rudolph

Phone 458-9525

7645 No. Montana

HOUSE BILL NO. 28

INTRODUCED BY HARRINGTON

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE MINIMUM HOURLY WAGE IN STAGES UNTIL IT EQUALS 50 PERCENT OF THE NATIONAL HOURLY AVERAGE WAGE AFTER MARCH 31, 1990; INCREASING THE MINIMUM MONTHLY WAGE FOR FARM WORKERS AND PROVIDING AN INCREASE IN THAT MINIMUM BASED ON INCREASES IN THE CONSUMER PRICE INDEX; AND AMENDING SECTION 39-3-404, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 39-3-404, MCA, is amended to read:

"39-3-404. Minimum wage. (1) Except as otherwise provided in this part and except for farm workers as provided in subsection (2), every employer shall pay to each of his employees:

~~(a) at least $3.05 an hour after September 30, 1985, and before October 1, 1986;~~

~~(b) at least $3.35 an hour on October 1, 1986, and~~ thereafter at least $4.25 an hour after June 30, 1989;

(b) at least $4.65 an hour after November 30, 1989; and

(c) at least 50% of the national hourly average wage calculated for calendar year 1989 after March 31, 1990, and at least 50% of the national hourly average wage of the preceding calendar year after March 31 for each subsequent calendar year. For the purposes of this subsection (c), the term "national hourly average wage" means the average hourly earnings, in current dollars, for production workers and related workers in mining, manufacturing, and construction and for nonsupervisory employees in other industries, as determined by the U.S. bureau of labor statistics, or a similar average approved by the commissioner of labor. National hourly average wage does not include earnings of agriculture workers.

(2) In the case of a farm worker employed for a part of a calendar year which includes periods requiring working hours in excess of 8 hours per day and other seasonal periods requiring working hours substantially less than 8 hours per day, the employer may pay the worker at a fixed rate of compensation during the term of employment. The employer may elect to:

(a) keep a record of the total number of hours worked by the worker during the part of the year during which the worker was employed by him (the total wages paid by such employer to such employee for that part of the year during which said employee was employed by him shall not be less than the applicable minimum wage rate multiplied by the total number of hours so worked); or

Montana Legislative Council

LC 0143/01

$4.65

INTRODUCED BILL
HB 28

EXHIBIT 12
DATE 1-17-91
HB 22

(b) in lieu of the minimum wage set forth herein, pay the farm worker a wage as herein defined on a monthly basis. This monthly compensation shall constitute a minimum wage and shall not be less than the following rates:

(i) ~~$575~~ $849.63 a month ~~for the first year from July 1, 1981~~ after December 30, 1989; and

(ii) ~~$635 a month for the second year from July 1, 1981, and thereafter~~ beginning January 1, 1991, and on each succeeding January 1, an amount calculated by adding to the amount of the previous year's minimum monthly compensation (which includes all previous cost-of-living changes) an amount determined by multiplying such compensation by the previous year's consumer price index for all urban consumers, U.S. department of labor, bureau of labor statistics, or a recognized successor to that index."

Section 2. Extension of authority. Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

-End-

[monthly wages abused by many employees - late for work, slothful, negligent of responsibilities, etc
Hourly wage best - and according to abilities. Paid for time worked!

- How many hrs/mo? Hourly wages?
a 40 hr wk? = $5.30/hr.

~~A farm worker~~.

- Farm income does not & will not tolerate a wage schedule as proposed. We can not set our income and have to 'fit' our labor costs to fit our income -. We are forced to hire employees who are generally poor performance, poorly motivated people. We would love to pay more & get re-liable help.
= only the employer really knows the worth of the employee - a minimum wage is regressive.
- we will be forced to hire less workers and/or hire for less hrs - in all it would subsidize any change of increasing state revenue via ↑ taxes.
- Many workers are given fringe benefits which would be stopped. (meal, room, board, etc)
- Best way to increase state revenue would be to work to increase agricultural revenue and stop treating us to pay more.

net income
84 +4588
85 + 489
86 (- 259)
87 (-14415)
ave (-9597)

EXHIBIT 12 1-18-89
DATE 1-17-89
HB 28

4 of 5

Madam Chairman and members of the Committee.

I testified at your hearing today on HB 28 which I opposed for the reasons stated on my written testimony I handed in. Being unaccustomed to speaking and having only prepared an hour or two prior to the hearing, I now have thought and studied the issues at some length and applied them to my situation. I feel I represent a great number of family ranchers with a medium sized operation (400 Ac. of Irrigated ground – in hay, cattle & grain business).

I have prepared the enclosed sheet. The results were surprising to me and seem opposed to the assumption that an increased minimum wage will give the State added revenue.

I am opposed to ANY minimum wage scale as only the worth of an employee will determine his wage. If we want good help on our ranch we must and do pay good wages and provide a safe, rewarding & learning experience to many young men for the past 25 years. All of them go on to obtain higher paying jobs and with them goes the vast experiences they obtain on a ranch as well as knowing they earned it.

We have a great deal of concern and compassion for our employees, contrary to what some of the proponents stated. In the past two years we have ended up the year with a minus net income. Thank God for this past year.

I appreciate your time and am available to any time or inquiry you may request. Thank you.

Respectfully,
John Doubek Jr.

EXHIBIT
MARY DOUBEK

EXHIBIT 12 1-18-89
DATE 1-17-89
HB 28 5055

Net effect of passage of HB 28 as ~~stated~~ to my Farm/Ranch operation - using tax return figures for 1987.

	Total wage at 3.75/HR	Total wages at $4.25/HR	Pifference $
Taxable wages pd - 2397 hrs of labor	$ 8990	10189	1197
Sec. Sec. Tax paid (.1502)	1350	1530	180
Workmans Comp (.1072)	964	1092	128
Total Diff. related to tax reporting			$ 1505

Montana Tax - Employee

$8990 wages paid.

(8600 to 11400) $ 8990 x 6% = 539 - 186 = $ 353

(8600) to 11400 $ 10189 x 6% = 611 - 186 = $ 425

Tax gain to state $ 72 ... Gain to State

* note - that the above $8990 gross wages did not include deductions, etc. as each employee's situation is different. So tax collected will be < $72.00

Montana Tax - Employer

'87 tax return $ 716.

'87 tax return using the above added expense related to min wages of 4.25/HR $ 632

$ 84 ... Loss to State

$ 84 - (see line 12)
72 (see line 9)
$ 12 — loss in revenue to state

I certify the figures used are accurate - taken from tax returns.

J. A. Doubek

EXHIBIT 13
DATE 1-17-89
HB 28 + 49 HB 28 and HB 49 both

ease Print

WITNESS STATEMENT

NAME Mrs Mavis Doubek BILL NO. HB49

ADDRESS 7645 N. Montana

WHOM DO YOU REPRESENT? Myself

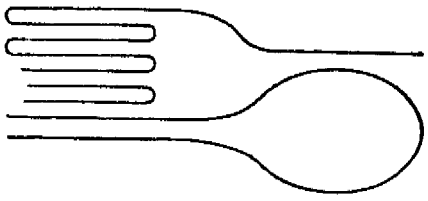
SUPPORT _____ OPPOSE / AMEND _____

COMMENTS:

I testify as a consumer. If the minimum wage is raised & should businesses be able to pay such a wage & survive. I'm sure the cost will be passed on to the consumer. Food prices are high enough already. I'm in the restaurant business & the employer & the employee agree on the wage. Let govt keep out -- please. There are already enough regulations. Please do not pass HB28 HB49. Thank you.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Form CS-34
Rev. 1985



Montana Restaurant Association

Legislative Committee
P.O. Box 7369
Missoula, Montana 59807

CHAIRPERSON RUSSELL AND MEMBERS OF HOUSE LABOR COMMITTEE

AT THE JAN17 TH HEARING ON HB 28 AND HB 49 A WITNESS ALLUDED TO MINIMUN WAGE RECIPIENTS AS LOSERS IN THE LOTTERY OF LIFE. THE MONTANA RESTAURANT ASSOCIATION DISAVOWES THOSE KINDS OF STATEMENTS HOWEVER INTENDED.

WE FEEL ALL PEOPLE DESERVE RESPECT AND FULL CONSIDERATION WITHOUT REGARD TO INCOME OR EDUCATION LEVELS.

LEON STALCUP

Leon A. Stalcup

MONTANA RESTAURANT ASSOCIATION

VISITORS' REGISTER

House Labor & Employment Relations COMMITTEE

BILL NO. HB 28 DATE 01/17/89

SPONSOR Harrington

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Brenda Nordlund	Montana Women's Lobby Helena	X	
Riley Johnson	NFIB		X
Jaysen Murphy	NFIB		X
Kari Moreberg	Wife		X
Phil Campbell	MEA	X	
Arlen Ostheim	Mt Athletic Coaches	X	
Virginia Jellison	MCIC	X	
Kathleen Akirsh	Boulder.		X
Shelly Laine	City of Helena	generally X	
Ann Rennicke	MAPP	X	
Kim Enkerud	MT State Grazing Districts MT Stockgrowers, MT Cattlewomen		X
Jim Carter	Butte, MT	X	
Teri Nolan	Missoula, MT	X	
Linda Miller	Missoula, Montana	X	
Dick Brauer	Missoula, MT	X	
Lorraine Gillis	MT Farm Bureau		X
Lee Easley	Butte MT	✓	
E J Byorne	MISSOULA	✓	
Paul Odegaard	Billings		✓

12 7

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

House Labor + Employment Relations COMMITTEE

BILL NO. HB 28 DATE 01/17/89

SPONSOR Harrington

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Mrs Mary E. Doubek	7645 N. Montana		✓
John Doubek	7645 N. Montana		✓
Quentin Rhoades	Bozeman		X
Leon Stalcup	1635 W Kent Msla		X
Joseph Moore	58 S. Rodney	X	
Jim Tutwiler	MT CHAMBER COMMERCE		X
LARRY MCRAE	525 WHITE BIRCH LN. KALISPELL 59901		X
Ed Sheehy	1731 5th HELENA	X	
DAVE SIMKINS	1616 Kelly Rd		✓
Elmer Fouth	Gt Falls	✓	
Maribeth Fouth	" "	✓	
LISA ZIER	2419 Bellview	✓	
Charles R. Brooks	443 S PARK APT 5		✓
Marvin Bailey	A.P.A.		✓
Sandra Merkle	Box 64 Basin	V	
James Reed	573 HILLSDALE	✓	
Dan Judge	MT STATE AFL-CIO	✓	
Laura Sheldon	Bozeman Chamber		✓
N. Jensen	AFSME	✓	
		9	10

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

parents can legally be held responsible for the actions of that child. That's all we're talking about.

RICE: Tom, I think you are right, we are talking about people who are on a payroll. This isn't just a family allowance situation, but nonetheless many people on the payroll are a part of a family where there is no insurance provided.

(he talked about the cost of insurance and about his experience in his business)

I think we would be burdening those people to do something that they don't want to do if we pass this amendment.

O'KEEFE: I'm not sure how I stand on this amendment right now but I guess that when Rep. Marks talked about this bill, he didn't just talk about those people under 18, he talked about grandma, grandpa, the uncles, aunts and siblings as dependents.

McCORMICK: That is what the bill says -- dependents of the family.

WHALEN: I would like to make a substitute motion, essentially it would be the same motion I had before but in front of "medical" it would say "major medical" in both of the two places that language appears.

Vote: Vote taken and the amendment failed, DO NOT PASS the above amendment.

Now we return back to the DO PASS on this bill with the first amendment.

Vote: Unanimous DO PASS on this bill with the first amendment.

HB 21 has passed the Labor Committee.

- - - - - - - -

DISPOSITION OF HB 28 AND 49

Motion: PAVLOVICH moved that HB 28 DO PASS.

Discussion:

PAVLOVICH: I would like to amend this bill. On page 2, line 21, after "at least", strike $4.25 and insert $3.85; line 22, subsection b, after "at least" strike $4.65 and insert

$4.35; and for the third part of the amendment I would like to strike all of subsection c; line 24 and 25 on page 1 and line 1 through 11 on page 2. Then on page 3, all of lines 5 through 15. That takes off the index and increase of 50 cents an hour instead of 90 cents.

THOMAS: I think the amendments that are proposed are very good in form, but because we have these two bills and particularly because of these amendments, I would encourage the committee towards a subcommittee to discuss the two bills and see what could be brought forth as a compromise. There are good elements in both bills.

I move that a subcommittee be appointed by the chairman.

PAVLOVICH: I have no objection if you would like to do that and I will withdraw my amendments because they can do it in the subcommittee.

GLASER: If this goes to a subcommittee and if Rep. Pavlovich's amendments were considered by that committee, I think they should also look on page 3 of the bill, line 5 and address that in similar fashion. I'm talking about monthly wages for the farmers.

Vote: Chairman Russell asked for a vote on whether to put these bills into a subcommittee.

Unanimous decision to appoint a subcommittee.

Chairman Russell at this point appointed Carolyn Squires, Clyde Smith and Tom Kilpatrick as the subcommittee and requested that they report back on them as early as possible.

- - - - - - - -

SIMPKINS: I would like to make a point of clarification of some testimony that was given here the other day. I want to clear the budget office of the charge that was made of the budget office preparing an illegal fiscal note. The fiscal note is not signed by the budget office. It was provided by the revenue department, which made the statement it would be revenue neutral because of the income tax offset by the business versus the income tax paid by the employee. There are estimates in here, but it was not submitted by the budget department as a fiscal note. The Department of Revenue submitted it to the Budget Department. The budget director did not sign off on it, but it still can be

introduced as evidence for any type of testimony as work papers from the files.

Technically, this becomes a worksheet in the files which is available to the representatives after the fiscal note has been signed. We are entitled to any pieces of information in that file.

RUSSELL: Thank you for bringing that to our attention.

- - - - - - - - -

ADJOURNMENT

Adjournment At: 4:50 P.M.

Angela Russell

ANGELA RUSSELL, Chairman

AR/mo

1609.MIN

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON HOUSE LABOR AND EMPLOYMENT RELATIONS

Call to Order: By Chairman Russell, on January 24, 1989, at 2:45 p.m.

ROLL CALL

Members Present: All present.

Members Excused: None.

Members Absent: None.

Staff Present: Eddye McClure, Staff Attorney.

Announcements/Discussion: Chairman Russell requested a report from the subcommittee on HB 28.

SQUIRES: The subcommittee which consisted of Rep. Tom Kilpatrick, Rep. Clyde Smith and myself met yesterday afternoon with the Department of Labor and some other people who wanted to participate in the drafting of the amendment. Motion was made and passed that Rep. Cohen's bill, HB 49, was to be tabled and we worked with Rep. Dan Harrington's bill, HB 28. The amendments are self-explanatory. (Copy of amendments attached as Exhibit #1.) Rationale for the dates is because that is the beginning of a fiscal year normally for an employer.

The rationale in the area of the farm labor which is increased $100 is that this particular wage had not been increased at all since 1981 and there have been two increases in the minimum wage since then.

Both of the sponsors were at the committee meeting yesterday and participated in the drafting of these amendments. I want to report to the members of this committee that it was a unanimous decision of the subcommittee to pass these amendments.

KILPATRICK: On the farm one where we changed it to $100, the Department of Labor stated that they can charge up to 40% for room and board, so actually we are only looking at a $60 a month raise for the farm labor.

SMITH: I really feel I have to say something on this. You know a 40-cent an hour raise sounds like quite a bit, but when you average that over four years that is a dime a year. Quite truthfully, those people are worse off than they were four years ago.

RUSSELL: We are discussing the subcommittee recommendation on HB 28. Rep. Squires moved that HB 28 with amendments pass.

DISPOSITION OF HB 28 AND 49

Vote:

Unanimous vote to DO PASS HB 28.

HB 28 with amendments passed the House Labor Committee.

Discussion:

THOMAS: I would like to see if we could further amend this bill, can we do that?

RUSSELL: Rep. Thomas, do you have a further amendment you want to add to that?

THOMAS: The only thing I wanted to bring up was the teenage section in HB 49. Will the subcommittee chairman please address this.

SQUIRES: I apologize for not addressing that particular issue but it was again a unanimous vote on that to delete that portion of the bill and to maintain the minimum wage at these levels for all folks who are participating in employment.

THOMAS: I appreciate that but I would like to offer an amendment to the bill, if I might. I would move that we insert into the proper place in the bill (HB 28), the teenage language that is in HB 49, which is on page 8, lines 27 through 24. If this amendment were successful, then I would move to insert a minimum wage floor into that language.

(part of the tape erased here and I did not get it all down in the notes, but he was talking about having a subminimum wage for teenagers)

... we all don't know exactly what will happen, but to me the number of jobs for high school students trying to earn a living so they can go to college is very important. I hate to see us eliminate some of those jobs

and we know we will by passing this bill. We will probably eliminate more teenage jobs than not. What we are saying to those kids is that we are not only going to eliminate jobs in the future but we are going to eliminate jobs now, possibly.

RUSSELL: Rep. Thomas, you are referring to HB 49, page 8, line 27 through 24, is that correct?

DRISCOLL: I think for years people have been trying to do something about a subminimum wage, but if you put the age 18, then on the 19th year, on their birthday, there is a 65-cent difference per hour. Then the 19 year old gets laid off and an 18 year old gets his job. There is an employer in Billings who has expressed his concern about just that. He has ten college kids working summers and for 65 cents per hour he would probably try to find high school kids. Also, even the McDonald's restaurant sent us a letter opposing the subminimum wage and I think it would just create havoc in the work force.

SIMPKINS: Some of my constituents were concerned about putting this back in as far as the teenage provision, but Rep. Driscoll does make a strong argument. I do feel that those students who are 16 years old who are legally hired, their value to the business at $4.00 an hour may preclude any of those teenagers from ever being hired. In other words, it is just the reverse as well, that when you state $4.00 an hour they will avoid hiring those young people even on a part-time basis. So I would be in favor of an 18 year old type clause.

COCCHIARELLA: It seems to me that the message we are giving to kids is that they don't deserve the same pay for the same work.

KILPATRICK: I wish that I had the exact figures, but I was quoted a group, and I believe it was 40%, of all the people under 18 who are on a minimum wage job are the only wage earner in the family. I'm not sure that this is right, but we know there are a great many of them and there is no question that they are the only wage earner. I think we are punishing them and we are hurting them.

RUSSELL: The question has been called for Rep. Thomas's amendment to include that portion from HB 49 as noted.

Vote:

Twelve against the amendment and four in favor of the amendment. The amendment has FAILED.

RUSSELL: Rep. Squires, did you have a motion to table HB 49?

SQUIRES: Yes, we did in the committee. So Rep. Cohen's bill would be tabled, and I make that motion here as well.

I move that we TABLE HB 49, Rep. Cohen's bill.

Vote:

Unanimous vote to TABLE HB 49.

HB 28 with amendments has PASSED House Labor Committee, and HB 49 has been TABLED.

- - - - - - - -

HEARING ON 249

Presentation and Opening Statement by Sponsor:

BILL GLASER: This section of the unemployment insurance code deals with the method the division uses to resolve tax appeals. The section has been revised in both the past two sessions. In 1985 the section was amended to state that tax appeal hearings would be heard under the Montana Administrative Procedures Act. Under this Act tax appeals were held as contested case hearings which were more formal than the prior hearings and generally required an individual to be represented by an attorney.

In 1987 the section was amended to eliminate the requirements that hearings be held according to MAPA, so the hearings could be less formal and the employers and claimants alike could represent themselves, if they so desired. Additionally, this section referred to the appeals process and the benefit portion of the law with a goal of making the tax appeal process and benefit appeal process the same.

In 1987 the amendment did not clarify the tax appeal hearings would not be held under the rules of evidence, as is the case in benefit appeals process. This bill is designed to provide that clarification. Under the amendment proposed by this bill, both tax and benefit appeals hearings would be conducted in the same manner allowing individuals to represent themselves in an informal appeal. Although either an employer or a claimant could be represented by the council if that was their desire. Statutory rules of evidence would not apply to either type of hearing and should either party to the hearing wish a more formal proceeding the administrative rules relating to the unemployment

DAILY ROLL CALL

LABOR AND EMPLOYMENT RELATIONS COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 1-24-89

HB 184, 214, 249

NAME	PRESENT	ABSENT	EXCUSED
Rep. Angela Russell, Chairman	✓		
Rep. Lloyd "Mac" McCormick, VC	✓		
Rep. Vicki Cocchiarella	✓		
Rep. Duane Compton	✓		
Rep. Jerry Driscoll	✓		
Rep. Bob Pavlovich	✓		
Rep. Bill Glaser	✓		
Rep. Tom Kilpatrick	✓		
Rep. Thomas Lee	✓		
Rep. Mark O'Keefe	✓		
Rep. Jim Rice	✓		
Rep. Richard Simpkins	✓		
Rep. Clyde Smith	✓		
Rep. Carolyn Squires	✓		
Rep. Fred Thomas	✓		
Rep. Timothy Whalen	✓		

STANDING COMMITTEE REPORT

January 25, 1989

Mr. Speaker: We, the committee on Labor report that HOUSE BILL 28 (first reading copy -- white) do pass as amended .

Signed: _____
Angela Russell, Chairman

And, that such amendments read:

1. Title, lines 5 and 6.
Following: "WAGE" on line 5
Strike: the remainder of line 5 through "1990" on line 6

2. Title, lines 7 through 9.
Following: "WORKERS" on line 7
Strike: the remainder of line 7 through "INDEX" on line 9

3. Page 1, line 21.
Following: "least"
Strike: "$4.25"
Insert: "$3.75"
Following: "1989;"
Insert: "and"

4. Page 1, line 22.
Following: "least"
Strike: "$4.65"
Insert: "$4.00"
Following: "after"
Strike: "November 30, 1989;"
Insert: "September 30, 1990"

5. Page 1, line 23 through page 2, line 11.
Following: line 22
Strike: "and" on line 23 through "workers" on page 2, line 11.

6. Page 3, line 5.
Following: "~~$575~~"
Strike: "$849.63"
Insert: "$735"

7. Page 3, lines 4 and 5.
Following: "than" on line 4.
Strike: "the" through "(i)" on line 5

8. Page 3, line 6.
Following: "after"
Strike: "December 30"
Insert: "September 30"
Following: "1989"
Strike: ";and"

9. Page 3, lines 7 through 15.
Following: line 6
Strike: subsection (ii) through "index" on line 15

"

EXHIBIT #1
DATE 1-24-89
HB 28

Amendments to House Bill No. 28
First Reading Copy

Requested by House Labor and Employee Relations Subcommittee
For the Committee on House Labor and Employee Relations

Prepared by Eddye McClure
January 23, 1989

1. Title, lines 5 and 6.
Following: "WAGE" on line 5
Strike: the remainder of line 5 through "1990" on line 6

2. Title, lines 7 through 9.
Following: "WORKERS" on line 7
Strike: the remainder of line 7 through "INDEX" on line 9

3. Page 1, line 21.
Following: "least"
Strike: "$4.25"
Insert: "$3.75"
Following: "1989;"
Insert: "and"

4. Page 1, line 22.
Following: "least"
Strike: "$4.65"
Insert: "$4.00"
Following: "after"
Strike: "November 30, 1989;"
Insert: "September 30, 1990"

5. Page 1, line 23 through page 2, line 11.
Following: line 22
Strike: "and" on line 23 through "workers" on page 2, line 11.

6. Page 3, line 5.
Following: "~~$575~~"
Strike: "$849.63"
Insert: "$735"

7. Page 3, lines 4 and 5.
Following: "than" on line 4.
Strike: "the" through "(i)" on line 5

OVER

EXHIBIT #1
DATE 1-24-89
HB 28

8. Page 3, line 6.
Following: "after"
Strike: "December 30"
Insert: "September 30"
Following: "1989"
Strike: ";and"

9. Page 3, lines 7 through 15.
Following: line 6
Strike: subsection (ii) through "index" on line 15

July 1 90
Sept. 1 90
3 MS
4 00

EXHIBIT #2
DATE 1-24-89
HB 28

House Bill 214: Representative Payee for Silicosis Beneficiaries

Department Testimony

The Department supports House Bill 214 because it affords reasonable and necessary protection for silicosis beneficiaries who now have no formal protection against potential misuse or even theft of their benefits.

The Division of Workers' Compensation is naturally concerned about a lack of representation for beneficiaries when receiving unendorsed warrants deposited into joint accounts or when being informed the endorser has endorsed a warrant without really being aware of having done so.

If House Bill 214 is adopted, the Division would follow procedures similar to the Social Security Administration in identifying a representative payee and monitoring the representative to make sure the person is performing in an appropriate manner. Such procedures include:

- investigating the legal, mental or physical competence of the beneficiary
- establishing criteria for selection of a representative payee
- assuring due process (providing notice of all actions)
- detailing the duties of a representative payee
- obtaining a complete accounting of the representative's management of benefits

William R Palmer
Industrial Relations Administrator

STATE SHEET

LABOR COMMITTEE
51st LEGISLATIVE SESSION

BILL NUMBER	ENTERED COM. DATE	DATE CONSIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CONCURRED IN DATE	BE NOT CONCURR IN DATE	BE CONCURRED IN AMENDED DATE	BE NOT CONCURR IN AMMED DATE
HB21	1-26-48	2-2-14	2-4					2-4			
HB99	1-27-89	2-2, 2-4	2-4							2-4	
HB28	1-31-89	3-21, 3-22	3-22							3-22	
HB154	2-6-89	2-28, 2-28	2-28							2-28	
HB155	2-6-89	2-28, 2-28	2-28							2-28	
HB348	2-7-89	3-2, 3-2	3-2					3-2			
HB243	2-8-89	2-28, 3-2	3-2							3-2	
HB391	2-9-89	3-2, 3-2	3-2					3-2			
HB347	2-10-89	3-2, 3-2 3-7	3-7 Reconsidered 3-2					3-2		Reconsidered 3-7	
HB-377	2-28-89	3-7, 3-7 3-9	3-9					3-9			
HB529	2-28-89	3-14, 3-21 3-22	3-22								
HB541	2-28-89	3-7, 3-7 3-9	3-9					3-9			
HB508	2-28-89	3-9, 3-16	3-16								3-16
HB639	2-28-89	3-14, 3-16	3-16						3-16		
HB677	2-28-89	3-14, 3-16	3-16					3-16			
HB700	2-28-89	3-16, 3-21	3-21							3-21	
HB710	2-28-89	3-14, 3-21	3-21							3-21	
HB249	2-28-89	3-9, 3-9	3-9					3-9			

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON LABOR AND EMPLOYMENT RELATIONS

Call to Order: By Senator Gary C. Aklestad, on March 21, 1989, at 1:00 p.m. in room 415 of in the state Capitol.

ROLL CALL

Members Present: All members were present. Senator Tom Keating, Vice Chairman, Senator Sam Hofman, Senator J. D. Lynch, Senator Gerry Devlin, Senator Bob Pipinich, Senator Dennis Nathe, Senator Richard Manning, Senator Chet Blaylock and Senator Gary C. Aklestad, Chairman.

Members Excused: There were no members excused.

Members Absent: There were no members absent.

Staff Present: Tom Gomez, Legislative Council Analyst.

Announcements/Discussion: There were no announcements or discussion.

HEARING ON HOUSE BILL 28

Presentation and Opening Statement by Sponsor:

Representative Dan Harrington, House District No. 68, chief sponsor, stated the legislation is an act to increase the minimum hourly wage and to increase the minimum monthly wage for farm workers. Representative Harrington stated HB 28 is long over due. Some of the problems facing Montana are attributed to the $3.35 minimum wage. The wage should be raised. The federal government's minimum wage may reach $4.65. The legislation is currently before Congress. Representative Harrington feels Montana must also move in the direction of a higher minimum wage. The federal mandated minimum wage was first implemented in the United States in 1938 with the passage of the Fair Labor Standards Act. The proponents argued at that time the mandatory minimum wage of $.25 per hour would cause unemployment to increase. The same story may be presented today. The cost of living will go up, and unemployment will also go up. Nationally, 6.7 million workers currently earn the minimum wage. Montana runs close to the average. Only 14%

minimum wage workers, nation wide, are teenagers. Eighty-six percent of the minimum wage earners are eighteen years old or older. Nearly 250,000 minimum wage earners are over 65 years old. Sixty-three percent are women working in the service areas. Six hundred thousand minimum wage earners are women, who are head of households. Representative Harrington stated he does not know if any problems are going to be solved by increasing the minimum wage, but a great number of people are going to be helped. An additional six million workers receive wages between the $3.35 minimum wage amount and $4.00 per hour, and 6.7 million workers are employed at minimum wage or less. The group represents thirteen percent of the national work force.

Representative Harrington stated sixteen percent of Montana workers, or 60,000 people, work at or near the minimum wage. In most of the service work areas, workers do not get a forty hour work week. The reason is, if the workers work forty hours, the employee is eligible for benefits. Representative Harrington stated he believes the minimum wage earners deserve better. Three dollars and thirty-five cents is far below poverty level. The poverty level for one person is an annual income of $5,770. The single person has to work 1,722 hours a year to escape the poverty level. The two person household has a poverty level $7,730. The wage earner in a two person family has to work 2,307 hours to escape the poverty level. The three person household has a poverty level of $9,790, and the wage earner has to work 2,893 hours. The four person household has a poverty level of $ 11,650, and the wage earner has to work 3,478 hours. Representative Harrington stated a forty hour work week is 2,080 hours per year. The cost of living is currently running at a rate of 13.3%. Representative Harrington urged passage of HB 28.

List of Testifying Proponents and What Group they Represent:

Senator J. D. Lynch, representing Butte, Anaconda, and Deer Lodge, MT.

John Ortwine, representing the Montana Catholic Conference.

Wilbur Rehmann, representing the Montana Nurses Association.

Maribelle Krebs, representing the Concerned Citizen Coalition.

Veronica Brown, Billings, MT, representing the Hotel Restaurant Workers, Local 56.

Mike Craig, Missoula, MT, representing the Associated Students of the University of Montana.

Brenda Nordlund, Kalispell, MT, representing the Montana Women's Lobby.

Marvin Alves, Missoula, MT, representing the UFCW.

The Butte Community Union, representing themselves.

Rick Strongman, Butte, MT, representing himself.

Joseph Moore, Helena, MT, representing the Montana Rainbow Coalition.

Toni Niklas, representing the Montana Education Association.

Don Judge, Helena, Montana, representing the Montana AFL-CIO.

Jim Smith, Helena, MT, representing the Human Resource Development Council.

Ray Doolittle, Butte, MT, representing himself.

Bob Heiser, representing the UFCW.

Linda Miller, Missoula, MT, representing herself.

Doris Blazicevich, Great Falls, representing herself.

Albert Boyle, Patty Doolittle, Harvey Linet, Dick Morgan, James Cortez, and Lois M. Dusand, Butte, MT, representing themselves.

Testimony:

Senator J.D. Lynch, Senate District 34, Butte, Anaconda, and Deer Lodge, MT, stated he is happy to co-sponsor HB 28. Senator Lynch stated he hopes HB 28 does not become partisan legislation. Senator Lynch stated $4.00 level minimum wage gain in two years is not an exorbitant amount of money for a minimum wage. Senator Lynch stated minimum wage jobs are not going to buy houses. The minimum wage people are not going to pay a lot of taxes, but HB 28 will try to keep people from welfare. Senator Lynch stated, although President Reagan used the phrase "trickle down", he would like to use the term "peculate up". Senator Lynch urged an unanimous vote on HB 28.

John Ortwine, Montana Catholic Conference, Helena, Montana, presented written testimony in favor of HB 28. (Exhibit 1)

Wilbur Rehmann, Labor Relations Director, Montana Nurses

Association, stated the association's membership is 95% women. There is a disproportionate number of women in the minimum wage category. As a labor relations director, Mr. Rehmann stated he received a phone call last summer from nurses working in a county nursing home in Southwest Montana. The nurses wanted to know what they could do to receive better wages. The nurses were making minimum wage. These individuals are skilled professionals, working and caring for senior citizens. Mr. Rehmann stated support of HB 28, and urged the committee to pass the legislation.

Maribelle Krebs, Great Falls, MT, Concerned Citizen Coalition, stated the membership of the coalition is approximately three hundred people. The coalition supports HB 28 without amendments. The minimum wage earner cannot make a decent living. Ms Krebs, a widow, stated she could not survive on $3.35 per hour. People on General Assistance need a better incentive to get off welfare.

Veronica Brown, Hotel Restaurant Workers, Local 56, Billings, MT, presented written testimony written by Cindy Erickson. (Exhibit 2)

Mike Craig, Missoula, MT, Associated Students of the University of Montana, presented written Testimony in support of HB 28. (Exhibit 3)

Brenda Nordlund, Montana Women's Lobby, stated women are the largest group of people affected by the low minimum wage. HB 28 will improve the standard of living for both single and married people. Ms Nordlund urged passage of HB 28. Ms Nordlund stated if a worker received the minimum wage in 1991 and worked twenty-nine hours, they would come close to the 1989 poverty level. Ms Nordlund presented written testimony. (Exhibit 4)

Marvin Alves, UFCW, Missoula, MT, stated the union represents approximately 1,700 workers. Five hundred and fifty of these people work in the nursing home industry. The nursing home worker starts work at a $3.35 hourly wage. In the past, the work week was approximately 18 to 20 hours. People are supporting families, and some are widows and divorcees. People can not provide themselves with a decent living on $3.35 per hour wage. Mr. Alves urged support of HB 28.

A member of the Butte Community Union submitted written testimony. (Exhibit 5)

Rick Strongman, Butte, MT, stated support for HB 28. Strongman stated 9,500 single Montana parents are using food stamps to supplement their incomes because they are paid minimum wage. This group of Montana people are not given hope or any way of getting

out of the poverty cycle. Strongman urged passage of HB 28.

Joseph Moore, Helena, MT, Legislative Coordinator, Montana Rainbow Coalition, presented written testimony. (Exhibit 6)

Toni Niklas, Montana Education Association, stated the association is in support of HB 28. Teacher aides, kitchen help, and secretaries are being paid $3.35 an hour, the minimum wage. In light of the rising inflation and increasing cost of living, the MEA supports HB 28.

Don Judge, Montana State AFL-CIO, presented written testimony in support of HB 28. (Exhibit 7)

Jim Smith, Human Resource Development Council, Helena, MT, stated support of HB 28.

Ray Doolittle stated the minimum wage should be raised because it is morally degrading for a person to work a minimum wage job, and still has to receive food stamps to supplement the income. If the minimum wage was raised, a person, like myself, would not have to get food stamps and could have self dignity. Possibly, a person could find a better job, one that pays more than minimum wage. Mr. Doolittle urged passage of HB 28 to help give people self respect.

Bob Heiser, UFCW, stated support for HB 28.

Linda Miller, Missoula, stated she has lived on her own since she was sixteen years old, and she knows what it is like to go hungry while working three minimum wage job. She was paid the sub-minimum wage, at one time, because she was 16 years old. People are victims of circumstance.

Doris Blazicevich, Great Falls, MT, presented written testimony in favor of HB 28. (Exhibit 7A)

Albert Boyle, 25 E. Granite, Butte, MT; Patty Doolittle, 104 W. Granite, Apartment 3B, Butte, MT; Harvey Linet, Butte, MT; Dick Morgan, Butte, MT; James Cortez, Butte, MT; and Lois M. Dusand, Butte, MT, offered written support of HB 28.
(Exhibit 7B)

Senator Lynch requested Senator Aklestad to allow anyone who supported HB 28 to stand. Senator Aklestad granted the request.

List of Testifying Opponents and What Group They Represent:

Jim Tutwiler, Helena, MT, representing the Montana Chamber of Commerce.

Roger Koopman, Bozeman, MT, representing Career Concepts.

Bob Davies, Bozeman, MT, representing the Montana Forum.

Larry McRae, Kalispell, MT, representing the Outlaw Inn.

Brian Harlin, Bozeman, MT, representing the Bozeman Chamber of Commerce.

Riely Johnson, Helena, MT, representing the National Federation of Independent Business.

Bob Morawic, Missoula, MT, representing the Missoula Chamber of Commerce.

Walt Dupea, Bigfork, MT, representing the Bigfork Legislative Support Committee.

Valerie Larson, Bozeman, MT representing the Montana Farm Bureau Federation.

Charles Brooks, Helena, MT, representing the Montana Retail Association.

John Rex, representing himself.

Kim Enkerud, representing the Montana Stockgrowers Association, Montana Cattlewomen and Montana Association of State Grazing Districts.

Brian Harlum, Missoula, MT, Representing the Missoula Chamber of Commerce.

Testimony:

Jim Tutwiler, Montana Chamber of Commerce, Helena, MT, presented written testimony in opposition to HB 48.
(Exhibit 8)

Roger Koopman, Bozeman, MT, Career Concepts, submitted written testimony in opposition to HB 28. (Exhibit 9)

Bob Davies, Bozeman, Montana, Montana Forum, presented written testimony in opposition to HB 28. (Exhibit 10)

Larry McRae, Outlaw Inn, Kalispell, MT, stated opposition of HB 28. Mr. McRae stated people working within the hotel-motel industry are provided the opportunity to learn marketable skills. These people

will qualify for higher paying positions. McRae stated it is certain that a new federal minimum wage law is going to be enacted. The legislation could raise the minimum wage to $3.75 or $3.85 in January of 1990; $4.00 in 1991; and as high a $4.65 in 1992. The federal government may also promote a training wage, which would be at a lower level. HB 28 calls for $3.75 on July 1, 1989, six months before the federal law goes into effect. Federal law allows for tipped credit, which Montana does not recognize. Mr. McRae is concerned with the ripple effect and further federal considerations. McRae urged passage of HB 28.

Brian Harlin, Associated Students of MSU, Bozeman, MT, representing the Bozeman Chamber of Commerce, presented written testimony from Laurie Shadoan. (Exhibit 11)

Riely Johnson, Helena, MT, National Federation of Independent Business, submitted written testimony in opposition to HB 28. Johnson stated, according to the proposed legislation, Montana employers will not be allowed to take advantage of federal training wage. HB 28 states the training wage will be $4.00, while the other states will have a $3.35 or $3.50 training wage. Johnson urged defeat of HB 28. (Exhibit 12)

Bob Morawic, Missoula, MT, Missoula Chamber of Commerce, urged defeat of HB 28. Morawic stated he was surprised Idaho, Wyoming and North and South Dakota did not actively lobby Montana Legislators to raise the minimum wage because if Montana raises the minimum wage, Montanans will migrate to other states. The U of M students endorse HB 28. The state receives a certain amount of work study money. If the state raises the minimum wage by 30%, the amount the state gives the work study program will be reduced by 30% per hour. The state will either have to give more money for work study, or there will be 30% less hours worked by university students. The newspaper, Corporate Enterprise Development Incorporated, a Washington D. C. based business firm, graded the states according to business climates. Montana received D's and C's in every category except for the "Concerns of Workers" category. The report stated the workers in the state were the most educated and motivated in the country. Mr. Morawic stated high technology companies from other areas should be flocking to Montana in order to take advantage of the higher than average unemployment ratios and the high (high school and college) graduations ratios, but this is not the case. The problem is due to extremely high property taxes and personal taxes, as well as Workers' Compensation problems. The Missoula Chamber of Commerce feels if the legislature raises the minimum wage before the federal government raises the minimum wage, Montana will add another nail to the Montana business coffin.

Walt Dupea, Bigfork Legislative Support Committee, Bigfork, MT, presented written testimony in opposition to HB 28. (Exhibit 13)

Valerie Larson, Montana Farm Bureau Federation, Bozeman, Montana, submitted written testimony in opposition to HB 28. (Exhibit 14)

Charles Brooks, Helena, MT, Montana Retail Association, submitted written testimony in opposition to HB 28. (Exhibit 15)

John Rex, representing himself, stood in opposition to HB 28.

Kim Enkerud, Montana Stockgrowers Association, Montana Cattlewomen, and Montana Association of State Grazing Districts, presented written testimony against HB 28. (Exhibit 16)

Brian Harlum, Missoula, MT, Missoula Chamber of Commerce, urged defeat of HB 28.

Questions From Committee Members:

Senator Lynch asked Bob Morawic where he got the 30% figure. Senator Lynch asked Morawic if 19% is correct figure that should have been quoted. Morawic stated the 19% figure is correct.

Senator Lynch told Mr. Brooks he does not think the Chamber of Commerce represents the same people Mr. Brooks represents. When it comes to making a choice between big corporations and the main street businesses, the Chamber will choose big corporations. The chamber continues the practice. Senator Lynch asked Mr. Brooks to have the members of his organization put signs in their shops saying "We do not support raising the minimum wage." Mr. Brooks stated the Board will have to be responsible for making the decision to put up signs. Mr. Brooks stated the minimum wage is an economic reality. The testimony he presented has been documented because the Retail Merchants are a supplier of job to entry levels. As a former retailer with 15 years of experience, Mr. Brooks stated he cut these types of jobs every time the chance arose.

Senator Devlin asked Representative Harrington how he figured the Agricultural amounts presented in the bill. Representative Harrington stated the last time the minimum wage was raised in 1966, agriculture did not raise their wages. The raise actually falls behind the $3.35 because the amount was not raised in 1966.

Forty percent of the total is taken out in room and board.

Senator Keating asked if the nursing homes obtained most of their funding from Medicaid and OJT's. Yes. Senator Keating stated the Human Resources Subcommittee raised the wages of the "hands on minimum wage people" by 11%. The House Appropriation Committee cut the raise, which was a tax payer raise. Senator Keating wanted the public to be aware of the appropriation cut. According to a nursing home lobbyist, the two percent cut was mandated by the federal government. The issue was about nurses aides, dealing with July 1st certification and costs.

Senator Keating asked Toni Niklas who is going to pay the additional costs for the teacher's aides. Senator Keating asked if the tax payers and property owners pay for the state's education. Ms Niklas stated, actually, nobody is paying for education in the state right now. Senator Keating stated if the state raises the minimum wage, the state must raise taxes to pay for the additional school costs. Niklas agreed.

Senator Lynch asked Representative Harrington if the HB 28 was a party line vote in the House. The vote was 66 in favor of HB 28.

Senator Blaylock asked Larry McRae if he is paying more than the minimum wage at the Kalispell's Outlaw Inn. Senator Blaylock said he does not understand why the Outlaw Inn stands in opposition to HB 28. McRae stated the fear is caused by the ripple effect.

Senator Lynch asked Mr. Koopman a question about the statement Koopman made while testifying. Senator Lynch quoted Mr. Koopman's statement: "People would draw more dignity drawing welfare." Senator Lynch commented whoever thought people would gather dignity by collecting welfare. Mr. Koopman stated he has read articles that address the concept of people gather dignity by collecting welfare checks. Senator Lynch asked Mr. Koopman if he received the same impression from the testimony hear today. Mr. Koopman said no.

Senator Keating asked Riely Johnson if he has any figures concerning how many start ups and how many failures small business had in Montana in 1989. Mr. Johnson stated he currently does not have the information.

Closing by Sponsor:

Representative Harrington stated the Chamber of Congress has great opposition to any increases in minimum wage levels. One of the witnesses stated something about an ego trip the legislators go on when they come to town. Representative Harrington stated

Legislators come to represent their constituency. People have to be represented. The free market will not take care of the situation. The free market will not solve the problems. Fair Labor Standards and the eight hour work law came about because people needed to be represented. The goals were not completed due to the benevolence of certain people. People had to have representation. Representative Harrington stated perhaps no one in the audience or on the committee can state $3.35 is a living wage. Only 14% of the people on Minimum wage are teenagers. Representative Harrington urged passage of HB 28 for the good of Montana.

DISPOSITION OF HOUSE BILL 529

Discussion:

Tom Gomez explained the amendments were requested by the sponsor. The amendments are technical, except for amendment number five. Amendment five inserts: "and including a follow-up 6 months after the original job placement". Mr. Gomez read the bill with the proposed amendments.

Amendments and Votes:

Senator Keating moved the amendments. Senator Keating asked if the statement of intent is required. Senator Keating stated the bill has a statement of intent, but is it required. If the statement of intent has to be attached, it will take a 2/3 committee vote to attach the statement of intent to the bill. Senator Aklestad stated it will take a simple majority.

Senator Blaylock asked what does the bill do. The coordination clause is attached to practically every bill, and gives the governor the right make the legislation fit together. Ms Mohr stated the department did not have anything to do with the drafting of the bill.

Senator Lynch stated Senator Keating is correct. The statement of intent cannot accompany any bill that does not statutorily require one, unless the standing committee or the committee of the whole, or conference committee agree by 2/3 vote to attach the statement. Gomez stated the bill was drafted with a statement of intent in it. The statement of intent was not attached to it, but part of the draft that changes the legislative council rules. The bill also had a statement of intent put in it. It was put in specifically because of the private industry council, the entity that will develop the performance standards, The private industry council is not a creature of "government". The statement of intent was intended to provide a statement of the sponsor's intent, with

ROLL CALL

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: March 21, 1989

	PRESENT	ABSENT	EXCUSED
SENATOR TOM KEATING	X		
SENATOR SAM HOFMAN	X		
SENATOR J.D. LYNCH	X		
SENATOR GERRY DEVLIN	X		
SENATOR BOB PIPINICH	X		
SENATOR DENNIS NATHE	X		
SENATOR RICHARD MANNING	X		
SENATOR CHET BLAYLOCK	X		
SENATOR GARY AKLESTAD	X		

Montana Catholic Conference

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 1 Page 1 of 1
DATE March 21, 1989
BILL NO. HB 28

March 21, 1989

CHAIRMAN AKLESTAD AND THE SENATE LABOR COMMITTEE

I am John Ortwein, Director of the Montana Catholic Conference. The Catholic Conference serves as the liaison between the two Roman Catholic Bishops of the State in matters of public policy.

The Montana Catholic Conference supports the efforts to raise the minimum wage. Specifically we urge your support for HB 28.

Since the minimum wage was established by the Fair Labor Standards Act of 1938, it has reflected a general social and moral conviction that there should be a floor beneath which wages should not be able to fall. The original idea was to set a minimum somewhat resembling a living wage. It was thought that such a wage was slightly more than half the average wage in the private sector. As the average wage level rose, it was expected that the minimum would go up accordingly.

Such is not the case now. The present minimum wage standard of $3.35 per hour has not changed since 1981. In that time its purchasing power has been reduced by more than 25% as a result of inflation. Currently the minimum wage is at its lowest point in history. Until 1980, the minimum wage earnings of full-time workers hovered around the poverty line for a family of three. Presently if a person works 40 hours a week at the minimum wage, he or she would earn less than $7000, which is 79.8% of the poverty level for a family of three and 62.2% of the poverty level for a family of four.

We urge you to pass HB 28. Restore dignity to the low wage earner. Raise the minimum wage.

Tel. (406) 442-5761 P.O. BOX 1708 530 N. EWING HELENA, MONTANA 59624

EXHIBIT NO. a page 1 of 2
DATE March 24, 1989
BILL NO. HB28

Senators,

My name is Cindy Erickson I work for the Radisson Heritage Hotel in Billings Mont. as a waitress. I make a dollar an hour minimum wage and I do more benifits than most people because as I work in a union shop. However I work hard at my job, but the majority of my income is from tips. My average check is about $56.00 every two weeks. I don't feel the survival of my family should not rely on the generosity of my customers. I am a single parent with three children and feel I should make enough in wages to support my families basic needs. It is hard for me to make it with my and a union contract it must be next to impossible for a person who works for straight minimum wage. I urge you, Senators, to rectify this injustice. A person ~~working~~ living in a single income family must still pay rent, food, utilities, clothing and daycare

Thank you for your time.

Sincerely Yours

Cindy Erickson
940 N. 30th
Billings, MT. 59101

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 2 page 2 of 2
DATE March 24, 1989
BILL NO. HB 28

ASUM
Associated Students
University of Montana

Room 105
University Center
Missoula, MT 59812
(406) 243-2451

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 3 page 1 of 2
DATE 3-21-89
BILL NO. HB 28

Senate Labor and Employment Relations Committee

House Bill 28 - Rep. Harrington

Hearing: March 21, 1989, Room 413-4

Mr. chairman and members of the committee, good afternoon. For the record, my name in Mike Craig, and I represent the Associated Students of the University of Montana.

ASUM supports HB 28 because many college students work for rates at or near the minimum wage. There are approximately 2000 students employed in work study and non-work study positions on or near the UM campus. More than one half of those positions would be favorably affected from this proposal. It is estimated that the total cost to the University System would range from a three to seven percent increase in student employee wages.

There is no current method of determining how many students work in other jobs not affiliated to the University or how much they are making. We believe it is safe to say, that the number of students working in the growing service sector is substantial and that most of them are working for wages at or near the present minimum wage.

University students are now faced with a new 14 percent increase in their tuition. Students know that they have to contribute more in order to help the state pay for increases in University System funding. Obviously, 14 percent is not a welcome increase, but students are prepared to pay their

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ASUN supports this proposal so that working students can partially defray those tuition increases, and thus, minimize their impact on students. Additionally, working students may be able to better meet their educational costs without having to resort to more and larger loans.

We strongly encourage your favorable consideration of House Bill 28. Mr. chairman and members of the committee, thank you.

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Testimony in Support of HB 28.
Senate Labor Committee
March 24, 1988

The most compelling reason for raising the minimum wage is poverty.

FEMINIZATION AND JUVENILIZATION OF POVERTY

Poverty is closely related to sex and family structure.

In the 1970s the number of families headed by women doubled and the number of never-married mothers tripled.

Some 40% of the nation's under-eighteen population will spend at least part of their growing up in single parent families.

Because poverty is closely related to family structure, more than half of those families will be poor.

Women and children are disportionately represented among the poor.

* 34% of female headed households have income below the poverty line, compared to 11.45 of male-headed households. A ratio of 3 to 1.

* In 1986 female headed families accounted for more than one-half of all impoverished families.

* Nationwide, at least seven million children of single parents live below the poverty line.

* In 1986, 20.5% of all children lived below the poverty line. 22.1% of all children under the age of six were poor.

MINIMUM WAGE AND POVERTY

Nationally, 6.7 million workers are paid the minimum wage of $3.35 per hour or less, yet their annual incomes no longer keep their families above the official poverty threshold.

An additional 11.5 million workers who earn between $3.35-$4.50 per hour hover near poverty.

WOMEN WORK AT MINIMUM WAGE

Nationally, sixty-three percent of all minimum wage workers are women. (Thirty-one percent are teenagers.) Six hundred thousand women work at minimum wage and are heads of families.

In Montana, sixty percent of all women work at minimum wage.

The largest growth sectors in our state's economy are retail and service industries, which is where most of the minimum wage jobs are and where most women toil.

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The figures for the 1987 federal poverty index are:

Household Size	Annual Income
1	$5,770
2	$7,730
3	$9,690
4	$11,650

Translated into the number of hours a person must work to achieve poverty level, at the current minimum wage of $3.35, that means that a single person must work approximately 1,722 hours per year and heads of households supporting one to three children, would have to work 2,307, 2893 and 3,478 hours per year, respectively, to reach poverty level. And that assumes that a person can work fifty-two weeks per year.

Considering recent employment statistics in Montana, that is an improbable, if not impossible, assignment.

Sixteen percent of Montana workers, or sixty thousand people, work at or near the minimum wage of $3.35 per hour. The current average workweek for service and retail sectors, where most minimum wage jobs are found, is 29 hours, that translates into an annual income of $5,051. For single heads of households, the unavoidable result is poverty.

For a married couple, supporting a family via retail or service sector minimum wage jobs, they still don't earn enough to reach poverty level for a family of four. And that is using 1987 poverty index figures. Estimates of the rate of inflation in 1988 are near 4 percent, so you can calculate for yourselves what effect that has on the purchasing power of minimum wage earners.

Based on the projected 1988 poverty index, the current estimate of the hourly wage equivalent necessary to sustain a family of four is $5.80.

We are arguing in support of liveable wages--$3.35 per hour is not a liveable wage. When the Montana Women's Lobbyist Fund formed in 1982, increasing the minimum wage was a top priority. We spearheaded efforts in 1983 and 1985 to increase the minimum wage to $3.35/hour. The latter effort was successful.

We again seek success in our endeavors before your committee.

Montana Women's Lobby supports a comprehensive agenda in this legislature to to improve the living standard of women and children in this state. Raising the minimum wage is a necessary component. The combination of an increased minimum wage, transitional childcare and medicaid assistance programs for women leaving ADFC and strengthening of child support laws and their enforcement all go hand-in hand.

To the extent that the current minimum wage is not a liveable wage, taxpayers are subsizing business in Montana, because the State picks up the difference in assistance programs.

We urge your support of HB28.

Brenda Nordlund, Lobbyist, Montana Women's Lobby.

Butte Community Union
P.O. Box 724
(Telephone: 782-0670)
Butte, MT 59703

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MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

We support House Bill 28.

The minimum wage of 3.35 has been in effect at the Federal level since 1981. The Consumer Price Index has increased 43.6% since then. We received this from C.P.I. Information yesterday, (3-20-89). This has decreased the 6968.00 yearly wage at minimum to a purchasing power in 1989 of 3741.82. Does anyone seriously think a family of 2 or 3 can make it on that pay, let alone contribue anything to the economy?

(W.I.N.G.S.) Womens International News Gathering Service, reported on Sunday, (3-19-89), that 70% of all minimum wage earners are Women. We have not been able to find out how many are single parents. Not raising the minimum wage condemns these women and their Children to a life of poverty. It borders on the obscene for a nation that prides itself on the accessibilty of a relatively high standard of living, to allow this to continue. ~~THIS BILL WILL HELP BREAK THE CYCLE OF POVERTY~~.

It makes good business sense to pay above poverty level wages. The Crybabies who whine that raising the minimum wage will have a negative impact on the economy,(by adding to inflation and unemployment), simply ignore the evidence.
This Nation has raised it's minimum wage for those employees engaged in businesses affected by Federal Standards six times. There has not been one shred of evidence in all that time which points to significant employment and business disruption, concludes a recent study by Congress. In fact it generally has had the opposite effect.

THANK YOU

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[illegible] 21, 1989

TESTIMONY IN SUPPORT OF HOUSE BILL 28

We are tempted to come before this committee and to urge support for this bill on the grounds that not to do so would be mean spirited and short sited. However, on reflecting on the testimony against this bill in the House I was struck by the opponents sincerity about what they believed to be the the truth. I was also struck by the realization that these sincere people deeply believe in a myth. That myth is the belief that if you hold down wages, offer tax breaks to business, and property tax relief to business that you will see a startling growth in new businesses and along with them good paying jobs. Mr. Chairman and members of the committee, we believe this is a fairy tale. The attack on organized labor resulting in give backs and wage reductions has not created new jobs, nor has it made American corporations and businesses more competitive. It has merely resulted in lower standards of living for the middle class professionals and working people in general. We have had and heard enough of this supply side economic bull.

Mr. Chairman and members of the Committee we urge you to support House Bill 28 because an increase in the minimum wage would quite simply be good for Montana. We believe that an increase in wages, causes a multiplier effect. These those wages increase spend more of their earnings on basic survival, and since here in Montana our per capita income is one of the lowest in the nation, that is exactly what would happen. When wage earners spend increased income on basic goods that benefits local businesses which then can compensate their employees at an increased salary or expand their work force which again increases their expenditures. These expenditures stay in Montana. The bottom line is that the more money working [illegible]

[illegible]
Montana Building Trades
50 S. Rodney
Helena, Mt.

MONTANA STATE AFL-CIO
APRIL 29 1956

Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARY

ZIP CODE 59624
406/442-1708

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TESTIMONY OF DON JUDGE BEFORE THE SENATE LABOR AND EMPLOYMENT RELATIONS COMMITTEE ON HOUSE BILL 28, MARCH 21, 1989

Mr. Chairman, for the record, my name is Don Judge and I represent the Montana State AFL-CIO. I'm here today to testify in support of House Bill 28.

This bill would provide for a two step increase in our state minimum wage, $.40 on July 1, 1989 and $.25 on October 1, 1990, resulting in an overall total increase of $.65 over a two year period.

This 65-cent increase in the minimum wage works out roughly to a 19.5 percent increase in the current rate of $3.35 an hour, which took effect in 1986. Although that may look like a hefty increase, let's compare it to the inflation rate since 1986.

According to the Montana Department of Labor and Industry, inflation ran at 3.6 percent in 1987 and 4.1 percent in 1988. That's 7.7 percent. And according to the U.S. Department of Labor's recent announcements, inflation this year is running at a 12.4 percent rate. That's a total of 20.1 percent for inflation compared to a 19.5 percent increase in the minimum wage as proposed in HB 28.

What this tells you is that, if HB 28 passes, workers won't be getting an increase in their spendable income -- they'll just be getting a cost-of-living adjustment that maintains their income at 1986 levels.

Without House Bill 28, the effect of what the U.S. Department of Labor projects to be 12.4 percent inflation this year on top of increases since 1986 will be devastating. People who work at minimum wage will simply have to learn to get along on less. And that translates into less spending at the grocery store, at the clothing store, in restaurants, and all up and down Montana's main streets.

For most minimum-wage workers, about the only chance they have for an occasional pay raise is a statutory increase in minimum wage rates. People working at the minimum wage generally receive no benefits such as health care, sick leave or vacation leave. They often deal with irregular, patchwork schedules and have little, if any, hope of advancement.

Minimum-wage workers are basically the working poor. Using federal poverty guidelines, full-time minimum wage work leaves you $2,500 below the poverty level for a family of three, and $4,500 below it for a family of four. And since most of the jobs offered at the minimum wage are part-time, you have to hold down two jobs just to get up to the poverty level. We're not talking

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about a few Montanans here and there, either: Approximately 16 percent of all Montanans earn at or near the minimum wage.

When employers pay the minimum wage, they're essentially receiving a government subsidy for their payrolls. Low-income workers can qualify, depending on their circumstances, for a wide variety of government welfare and public assistance benefits. Those are provided because their incomes are so low as to bar their access to a decent standard of living or quality of life for themselves and their families.

When employers pay the minimum wage, they are essentially shifting the cost of paying fair wages on to the local, state and federal governments, which must pick up the slack and help these people obtain at least some semblance of a decent existence. This indirect government subsidies to business is one of the most massive shifting of burdens that happens in our economy. And yet we'll often find the beneficiaries of this subsidy -- the employers -- complaining about the number of people on the welfare rolls and the burden that places on the taxpayers.

That brings me around to one final thought. I'm not sure who said this first, but I'm inclined to believe it has merit: "We don't need more taxes, we just need more taxpayers." If some employers paid better wages, there would automatically be more taxpayers. As it is, minimum wage workers generally don't pay taxes because they earn so little.

We believe that increasing the minimum wage will help low-income workers recover some of what they've lost and likely will lose to inflation, will stimulate Main Street business activity through increased consumer spending, will add wage-earners to the tax rolls and will reduce the demand on public assistance.

We urge you to oppose any attempts to alter this important piece of legislation for workers by amending the bill to include a subminimum wage, to reduce the increases, to delay the effective dates or to alter state law relating to tips. We ask you to support House Bill 28.

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1512 9th Ave. South
Great Falls, MT 59405
March 20, 1989

Dear Senator,

I am writing to urge you to vote for a considerable raise in the state minimum wage. As a taxpayer and a concerned citizen, I am worried about the thousands of working poor.

There is no way that a wage-earner can support a family at $3.35 an hour, even when working full-time. A single person is living at poverty level when earning the minimum wage. How much worse it must be for the head of a household.

This is the time to give workers the dignity of a living wage. Please consider their needs when voting on this bill. Thank you for listening to the appeals of your constituents.

Sincerely yours,

Doris Blazicevich

Doris Blazicevich

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UNTIL 1980 I WAS ACTIVELY EMPLOYED AS AN OWNER OF A BAR/RESTAURANT IN MISSOULA. PRIOR TO THAT MY PARTNERS & MYSELF OWNED & OPERATED SEVERAL BARS/RETAURANTS IN THE DENVER, COLO AREA.

IN ALL OF THESE PLACES, WHICH WERE COVERED UNDER UNION CONTRACTS, WE PAID OVER SCALE (UNION) & CONSIDERABLY OVER MINIMUM WAGE.

IN MISSOULA, WHILE WORKING AS A COUNSELOR FOR THE LIFE SKILLS TRAINING CENTER, FORT MISSOULA, I FOUND THAT, NOT ONLY WAS THE MINIMUM WAGE NOT [redacted] ENOUGH TO SUPPORT ONE (1) PERSON, THE CLIENTS WERE NOT ABLE TO SAVE ENOUGH MONEY IN SIX (6) MONTHS TO HAVE THE [redacted] TOTAL AMOUNT OF MONEY NEEDED FOR INDEPENDENT LIVING FOR A PERIOD OF TWO (2) MONTHS.

SINCE I AM A DISABLED VETERAN, I AM VERY FAMILIAR WITH C.O.L.A. RAISES IN THE PAST TEN (10) YEARS & HAVE FOUND THAT C.O.L.A. HAS NOT KEPT UP WITH INFLATION.

I HAVE ALSO FOUND THAT GIVING A PERSON A LIVING WAGE ENSURES JOB PERFORMANCE, LOYALTY & LONGEVITY. ALSO, IT DISCOURAGES THEFT, ABSENTEEISM & FAMILY RELATED PROBLEMS.

THANK YOU,
ALBERT BOYLE

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MR. Chairman and members of the Committee

Minimum wages should be raised because its hard to live off of, when inflation keeps increasing and wages don't. People usually work very hard and they deserve to have their wages raised.

my name is: Patty Doolittle.
104 W. Granite #3B
Butte, MT 59701

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BILL NO ~~HB 28~~ HB 28

MR CHAIRMAN & MEMBERS OF THE COMMITTEE

MY NAME IS HARVEY LINET

I SUPPORT HOUSE BILL 28.

AN INCREASE IN THE MINIMUM WAGE IS WAY OVERDUE. Single men and women have a hard time trying to make ends meet. Families trying to survive on jobs with no benefits at $3.35 per hour cannot make ends meet. This raise in wage is the start of allowing some chance for working people to make ends meet.

Thank You.
Harvey E Linet

S. HOUSE LABOR & EMPLOYMENT
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BILL NO. HB 28

Dear Mister Chairman and Commity Members

The present bill is not good enough because it is less than the cost of living the cost of living has gone up three times more than the wage that we are reciving at the present the cost of food and rent take all of our hard earnd income and now say give them 40% that is taken out in Taxes in some states so we are still in poverty with less to spend we need a substanual rasl in all areas as far as families and cost of living. The present bill 28 is good but we neld more just to make ends meat

Thank you
Dirk J Morgan

SEN. [illegible] & EMPLOYMENT
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3-12-89
H.B. 28

Mr. Chairman, Members of the Committee,

I am for minimum wage even if it is rather low. We need to start some where.

I think "Jet" and myself are laid off copper workers. I have been working most of my life and pay taxes. Now we need a job that pays minimum wage or better.

SENATE LABOR & EMPLOYMENT
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3/21-89

to the Chair Men & Committee Members
This is in regards of the Minimum Wage
ok I am one of the people that Worked for $3.35
Per Hour, let alone a family trying to Work for
$3.35 a Hour and try to Live on it.
House Bill (28) is disappointing the way the
Amendment reads, So please take this Under Cons
on the Minimum Wage, and Put it to a Suitable
Ways, Where People can Live a Suitable
life. instead of struggling to try to live
day to day to make ends meet.

Thank You very Much
for your time
Lois McClannahan

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MONTANA CHAMBER OF COMMERCE
P O BOX 1730 • HELENA, MONTANA 59624 • PHONE 442-2405

TESTIMONY BEFORE THE SENATE LABOR COMMITTEE
ON HOUSE BILL 28

BY THE
MONTANA CHAMBER OF COMMERCE

Mr. Chairman, members of the Committee, I am James Tutwiler of the Montana Chamber of Commerce. On behalf of the membership, businesses all across the state, the Chamber appreciates the opportunity to appear before this committee and to present testimony on proposed increases to Montana's minimum wage.

The bill before you, HB 28, originally contained an indexing provision which would have raised Montana's minimum wage by 41 percent, making it by far the highest minimum wage in the nation. In the bill's present form Montana would in 1989 exceed the federal rate by 12 percent and rank as the eighth highest minimum wage state in the nation. Next year, 1990, we would exceed the current federal rate by 19 percent and find we have the second highest minimum wage in the country.

In looking at such increases we have to ask this question. Is Montana's economy so robust as to warrant raising labor costs above those prevailing in most other sectors of the nation's economy? The answer is no. In fact, given the state of Montana's economy, any increase in the minimum wage at this

time raises serious concerns.

RIPPLE EFFECT If you raise the minimum wage, you will surely raise those wages existing above the minimum wage level. This increase, or rippling effect, occurs because historically employers are compelled to adjust up-ward the entire hourly wage scale in order to maintain traditional wage defferentials between employers. This rippling effect has been well documented. As noted in a recent July 1988 University of Chicago study, a copy of which is included in the handout, raising the minimum wage to $4.65 per hour will increase a wage of $4.00 per hour to $5.15 per hour. A wage of $6.00 would increase to $6.37. Since neither the increased minimum wage nor the accompanying "ripple" increase in other wages is the result of increased productivity and sales, the question arises as to how will Montana's employers make up the difference in their payrolls.

LOSS OF JOBS One of the means employers are forced to use in coping with increases in the minimum wage is to reduce the work force. Invariably such job reductions apply to the minimum wage earners, the majority who are younger (under 25 years), less skilled, work part time and do not maintain a family.

We don't know what the exact job loss will be in Montana if this bill under consideration is enacted. We do know the history of HR 1824, a bill recently defeated by the Congress, which would have raised the federal minimum wage to $4.65 and ultimately to $5.05 per hour. In addressing this bill, the Congressional Budget office, copy of report included in the handout, estimated the loss of jobs at approximately 250,000 to 500,000 or 0.2 to 0.4 percent of total employment. This projection tracks well

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with another study commission by the National Chamber Foundation and conducted by RBM Research. This study concluded that an increase in the federal minimum wage as proposed in HR 1834 would by 1990 cost Montana 2595 jobs.

This analysis of the federal minimum wage clearly sends a warning. If we arbitrarily raise the state's minimum wage, we are going to reduce jobs - particularly for young people just entering the job market.

ECONOMIC GAP Montana's economy currently lags behind the nation's. As of October 88, our average hourly wage was $8.76. The national average was $9.45 (Bureau of Statistics, U.S. Department of Labor). Our per capita income for 1987 totaled $12,347 vs. a national per capita income of $15,481 for the same period (U.S. Department of Commerce). In sum, our state's economy is not operating on the same plateau as the nation's economy. Under these circumstances, it just doesn't make sense to raise our state minimum wage to approach the levels of a handful of more productive states like California whose state minimum wage exceed the federal rate.

Finally some attention should be given to what is happening to the federal minimum wage in the congress. Currently there are two minimum wage bills pending. It is significant that neither bill would raise the federal minimum wage in 1989. Moreover, the Bush administration has testified as recently as three weeks ago that it will accept no more than a .30 increase in 1990 coupled with a job training wage of 3.35 per hour for six months for all new minimum wage employment. Assuming a federal minimum wage

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increase is enacted, passage of the bill before you will place our state's minimum wage out in front of the federal wage for the remainded of 1989 and for a portion of 1990. Keep in mind, too, the federal minimum wage will likely incorporate an increase from 40 to 50 percent in tip credit for wages and a training wage. Neither of these measures is included in HB 28.

In conclusion, raising the state's minimum wage will not do what proponents of the bill want it to do, raise the income of all the state's lower wage earners. Raising the minimum wage will produce an upward spiral of wages currently above the minimum level, produce a loss of jobs in the state at a time when we need to create more jobs and penalize the younger citizens of our state, the majority of whom are part time employees who need to gain work experience.

For these reasons Mr Chairman, members of the Committee, we urge you to reject an increase in Montana's minimum wage as proposed in HB 28.

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THE RIPPLE EFFECT OF THE PROPOSED MINIMUM WAGE INCREASE

by

Ronald Krumm
and
Li-Wei Chao*

July 1988

*The authors are Assistant Professor of Political Economy and Doctoral Student, respectively, in the Committee on Public Policy Studies at the University of Chicago. This study is funded by the Minimum Wage Coalition to Save Jobs.

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The Ripple Effect of Proposed Minimum Wage Increase

EXECUTIVE SUMMARY

This study was conducted to determine the impact of an increase in the minimum wage on individuals earning more than the minimum, on the companies that employ them, and on the American economy as a whole. This study builds upon previous analysis conducted for the Minimum Wage Study Commission appointed by former President Carter.

The study confirms that any enumeration of the costs of a minimum wage increase must include far more than a simple summation of the increased wage bill for minimum wage earners and the concomitant loss of jobs for those workers. Indeed, the adverse impact of a minimum wage increase is felt by workers earning in excess of the new minimum. Known as the *ripple effect*, this cost increase occurs when workers senior to and more experienced than minimum wage workers command higher wages to maintain the prior wage differentials intended to recognize their greater value to the employer. These ripple-induced wage increases are by no means benign. Quite the contrary, since they are unaccompanied by any offsetting increase in productivity that creates the profits necessary to pay the higher wages, they can only result in employment losses in job classifications traditionally compensated at rates higher than the minimum.

The more the minimum wage increases, the greater the number of individuals whose compensation must be adjusted to maintain these wage differentials. The ripple effect, however, has the greatest impact on employees who are closest to the new wage rate. To maintain a wage differential in the face of a minimum wage increase to $4.65 in 1991 would require that an employer increase the pay of an employee who would otherwise earn $6.00 an hour to $6.73. An employee who would earn $8.00 and hour would receive $8.35 under

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this same scenario. While both of these employees would face a reduced demand for their labor services because of the *ripple*, both the percentage and dollar increases are greater for the less highly paid employee. Accordingly, it is this type of employee who will face the most difficult market for his existing job skills and abilities. At every point in time the production process involves choices between competing technologies -- man vs. machine, as well as advantages between competing locations -- domestically produced for the home and foreign market vs. foreign production for the world market. Ripple-induced increases skew these choices away from domestic employment.

Ripple effect increases occur without any corresponding increase in productivity. Nationally, the ripple effect of raising the minimum wage from $3.35 to $4.65 an hour would result in a cumulative rise in U.S. labor costs of 2.11 percent. Based on total wages and salaries of $2.2933 trillion (seasonally adjusted rate, January 1988), this translates into a more than $48 billion annual addition to the wage bill of American business. This $48 billion dollar cost increase with no offsetting productivity increase must manifest itself in higher prices, a worsened international competitiveness, and negative impacts on labor demand and employment. Analysis of the impact of the ripple effect resulting from the 1975-1979 minimum wage increase confirms the ripple effect of minimum wage increases: a 2.3 percent ripple-generated increase in economy-wide labor costs has been documented.

Industries which employ the greatest number of young people (those under 25 years of age) would be most affected by the ripple effect of the proposed minimum wage increase to $4.65 by 1991 -- their wage bill would increase by more than eight percent.

The results of this study are similar to those reported to the Carter Minimum Wage Study Commission in 1980-1981.

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CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 25, 1988

SENATE LABOR & EMPLOYMENT
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DATE
BILL NO.

1. BILL NUMBER: H.R. 1834

2. BILL TITLE:

Fair Labor Standards Amendments of 1988.

3. BILL STATUS:

As ordered reported by the House Committee on Education and Labor on March 16, 1988.

4. BILL PURPOSE:

To amend the Fair Labor Standards Act of 1938 to restore the minimum wage to a fair and equitable rate and for other purposes.

5. ESTIMATED COST TO THE FEDERAL GOVERNMENT:

	(By fiscal years, in millions of dollars)					
	1988	1989	1990	1991	1992	1993
Estimated Authorization Level	0	3	13	25	35	30
Estimated Outlays	0	3	13	25	35	30

Basis of Estimate

H.R. 1834 would increase the federal minimum wage in four steps between now and January 1, 1992. The new levels would be $3.85 per hour for the year beginning January 1, 1989; $4.25 per hour for the year beginning January 1, 1990; $4.65 per hour for the year beginning January 1, 1991; and not less than $5.05 per hour after December 31, 1991.

The Office of Personnel Management estimates that the wage bill for certain support personnel on U.S. military bases would increase by the amounts shown in the table above. Currently these workers are paid at hourly rates between the $3.35 per hour minimum wage and the minimum wage rates proposed in H.R. 1834.

Increasing the minimum wage could also increase administrative and enforcement caseloads within the Wage and Hours Division of the Employment Standards Administration at the Department of Labor (DOL). While this could result in higher costs to the federal government, H.R. 1834 provides no additional appropriations for this purpose.

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Additional Provisions. Several other amendments to the Fair Labor Standards Act are included in H.R. 1834. The small business exemption would increase from the current level of $362,500 in annual gross sales to $500,000. The current tip credit is 40 percent of the applicable minimum wage, or $1.34 out of $3.35 per hour in 1988. This tip credit is the maximum amount of tips an employer can use to reduce employee wages, and still be in compliance with minimum wage laws. H.R. 1834 would increase this rate to 45 percent during the year beginning January 1, 1989 and to 50 percent after December 31, 1989. In addition, legislative branch employees (except for Members' personal staffs) would now be covered by the Fair Labor Standards Act. These amendments are estimated to have no cost effect on the unified federal budget.

Effects on the Economy.

Passage of H.R. 1834 may result in changes in macroeconomic variables, particularly in employment levels and the inflation rate. However, because of uncertainty surrounding the overall macroeconomic impact of minimum wage legislation, and uncertainty over future federal monetary policy, this estimate does not take into account federal revenue and outlay effects of these changes.

The Congressional Budget Office (CBO) estimates that the increases in the minimum wage contained in H.R. 1834 could cause the loss of approximately 250,000 to 500,000 jobs, or about 0.2 to 0.4 percent of total employment. In general, the negative impact on employment would be larger in the sectors of the economy and the groups in the labor force with low wage rates. The loss of jobs probably would be minimal in durable goods manufacturing and in metropolitan areas where labor markets are tight and jobs readily available. Among demographic groups, the loss of jobs most likely would be concentrated among youth, and especially among teenagers.

Increases in the minimum wage also could have three principal impacts on inflation. First, a "direct" effect as the average hourly earnings of workers earning less than the new minimum wage were increased to the new wage floor. Second, a broader or "ripple" effect as other wages were adjusted at least partially to retain relative wage differences. Third, a "wage-price-wage" effect, as these wage increases caused employers to raise prices, which was reflected in turn in higher wages. Thus, CBO estimates that H.R. 1834 could add about 0.2 to 0.3 percentage points to the annual inflation rate during the projection period.

These estimates are based primarily on a review of available economic studies of the impact of minimum wages. Because of estimating difficulties, the estimates should be interpreted as no more than rough orders of magnitude. These estimates do not include a consideration of the small business exemption provision in H.R. 1834.

Currently, the federal minimum wage rate is exceeded in 10 jurisdictions (Alaska, Connecticut, District of Columbia, Hawaii, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, and Vermont). Also, California is scheduled to raise its rate from the current federal minimum to $4.25 per

hour in July 1988, and Connecticut's rate will rise from $3.75 an hour to $4.25 an hour in October 1988. Therefore, H.R. 1834 could have less of a macroeconomic impact than if all states were at the current federal minimum wage rate.

6. ESTIMATED COST TO STATE AND LOCAL GOVERNMENT:

To the extent that state and local governments have workers who are paid at the current minimum wage or between the current minimum wage and the higher rates prescribed in H.R. 1834, state and local government wage costs could increase with passage of H.R. 1834. There is no data available that allows CBO to estimate the magnitude of these costs. However, there are 10 states which have set minimum wage levels above the federally mandated $3.35 per hour. In these states, the new federal minimum wage rates could have less of an effect than in states in which the minimum wage is at the current federal level.

7. ESTIMATE COMPARISON: None.

8. PREVIOUS CBO ESTIMATE: None.

9. ESTIMATE PREPARED BY: Michael Pogue (226-2820)
George Iden (226-2759)

10. ESTIMATE APPROVED BY:

James L. Blum
Assistant Director
for Budget Analysis

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THE PROPOSED MINIMUM WAGE INCREASE: ASSOCIATED JOB LOSS BY STATE, REGION AND INDUSTRY

Richard B. McKenzie

Curtis L. Simon

RBM Research, Inc.
Clemson, S.C.

For
The National Chamber Foundation

This study and its publication are being funded by the Minimum Wage Coalition To Save Jobs, The Vernon K. Krieble Foundation, and The Arkansas State Chamber of Commerce.

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THE PROPOSED MINIMUM WAGE INCREASE:

ASSOCIATED JOB LOSS

BY STATE, REGION AND INDUSTRY

Executive Summary

This year Congress may worsen the country's competitiveness problem by reducing its capacity to produce low-wage jobs. The legislative vehicles: a substantial increase in the federal minimum wage through passage of "The Minimum Wage Restoration Act of 1987" (S. 837) and similar legislation in the House (H.R. 1834). This study projects job losses by state, region, and industry and for teenagers for 1990 and 1995, assuming the proposed legislation is passed.

If an increased minimum wage is legislated:

- Most states will lose tens of thousands of jobs by 1995, with a high of more than 220,000 jobs in California. Other states experiencing major job losses will be New York, Texas, Florida and Illinois.

- Most job losses will occur among teenage workers. We estimate that by 1995 teenage job losses in the country will be 1.3 million. The ten states with the highest projected job losses for teenagers are California, Texas, New York, Illinois, Ohio, Pennsylvania, Florida, Michigan, New Jersey, and North Carolina.

- Many of the job losses will be in the services sector (narrowly defined) and retail trade (including restaurants). By 1995 the country will lose more than 700,000 retail jobs, and more than 400,000 service jobs. The projected retail job loss by state in 1995 is expected to range from a high of over 80,000 in California to a low of below 1,800 for Vermont. California will also be the greatest loser of service jobs, nearly 45,000 by 1995. All states can expect to lose a significant number of jobs in other major industries, including agriculture, wholesale trade, construction, and transportation (to name just four industries not examined in detail in this study).

- Although wages in the manufacturing sector are above the national average, manufacturing employment will also be affected by the proposed minimum wage increase. Low-wage manufacturing workers (those who earn less than the average textile wage) will have approximately 105,000 fewer job opportunities in 1995. More than half of this loss will occur in ten states: California, New York, Texas, North Carolina, Pennsylvania, Florida, Tennessee, Georgia, Alabama, and Virginia. The South will experience the greatest loss of low-wage manufacturing jobs.

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We believe all of our estimates of state job losses are conservative, because the majority of job losses will occur among low-wage earners who will be priced out of the market by the proposed legislation. In addition, a great many more jobs will be lost among workers who earn more than the minimum wage and who happen to work for firms whose sales fall because of price increases forced by the mandated minimum wage hike.

There is little debate among economists that an increase in the minimum wage will reduce employment opportunities; that the bigger the increase, the bigger the employment reduction; and that adverse employment effects will be felt most severely by the youngest, most inexperienced, and most disadvantaged workers in the country. Our study supports that view.

Our empirical results are straightforward: the adverse effects of the proposed minimum wage increase are substantial, and the message is even stronger when the adverse effects are computed on a state-by-state, regional, industrial and age basis.

Conclusions and Findings (if minimum wage legislation passes)

By 1990:

- There will be a total job loss of over 750,000.
- Fifty-six percent of the total jobs lost will be teenage jobs: teenagers will suffer disproportionately, since they comprise only 6 percent of the working population.
- Over one-third of the total job loss in 1990 will be in the retail trade sector, such as department stores, discount stores, groceries and small retailers.
- Over 80,000 jobs will be lost in the service sector, including hotels, restaurants and nursing homes.
- Total output in the U.S. economy will be reduced by $28 billion (in 1982 dollars).
- Federal spending on unemployment benefits will be nearly one billion dollars higher.
- The South will experience a larger share of total job loss in all categories of our study.

By 1995:

- There will be about 1.9 million fewer jobs compared to what employment would have been.
- Job losses will be borne disproportionately by teenagers: job losses affecting teenagers will be 1.3 million -- about two-thirds of the total.
- 700,000 fewer retailing jobs will be created.

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- There will be 400,000 fewer jobs in service establishments -- such as restaurants, nursing homes and hotels.

- Total U.S. economic output will be $70 billion (1982 dollars) less than would otherwise be the case.

- The South will experience a disproportionate share of total job loss, almost 34 percent of all lost jobs and over 41 percent of low-wage manufacturing jobs lost as a direct result of the mandated increase.

The basis for this National Chamber Foundation-sponsored study is a simulation of the U.S. economy, using the Washington University Macroeconomic Model and existing research evidence, that measures what will happen to the economy if legislation to increase the minimum wage is passed and studies the demographic and sectoral impact of the proposed minimum wage increase.

This study quantifies the job loss by state, region of the country, demographic group, and industry. By disaggregating the data in this way, policy makers will have a better understanding of the impact raising the minimum wage will have.

This study, along with its publication, is being funded by the Minimum Wage Coalition to Save Jobs, The Vernon K. Krieble Foundation, and The Arkansas State Chamber of Commerce,

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Testimony of Roger E. Koopman
Senate Labor Committee
March 21, 1989
H.B. 28

Mr. Chairman:

For over nine years now, I have been operating the largest private employment agency in western Montana -- Career Concepts of Bozeman. In 1982, I added Personnel Leasing, a temporary help service that employs up to 250 people annually. During these years, I have made it my business to understand the dynamics of the local job market, and the factors that contribute most to genuine job creation.

My observations can be summed up as follows. The more that employers and employees are able to function as free agents, capable of negotiating whatever employment contracts they deem to be to their mutual benefit and consent, the more that employment opportunity at all levels is maximized. On the other hand, the more that the employer and employee are prohibited from contracting freely by the intrusion of political force into their relationship, the more that mutual benefit goes out the window, and job opportunity with it. The limitless creativity and flexibility of the free market is replaced by rigid rules and standards that impose someone else's will on everyone else's employment. The vitality of the economy is sapped away, and the jobs that would have been will never be.

I can think of no single measure that does more mischief to an otherwise growing economy and expanding job market than a minimum wage law. Minimum wage statutes defy all logic and violate every basic law of economics. They are predicated on the dual assumption that (1) employers were put on earth to exploit workers, and (2) that wages will only rise through government coercion. But in fact, the only time that "exploitation" exists on either side of an employment relationship is when government intervention distorts that relationship. Furthermore, real wages will invariably increase faster when allowed to reflect true market conditions of labor productivity, supply and demand then when they are set artificially by legislative fiat.

The Bozeman job market is a good example. When the $3.35 per hour minimum was first imposed in 1981, the majority of the

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jobs our agency handled were at or near that level. The typical office job, for example, paid $600 a month; $750 was exceptional. Today, the average office job pays $850 per month, and salaries of $1200 or more are not uncommon. These increases came naturally and rationally, through the marketplace, without any change in the minimum wage.

Minimum wage advocates would quickly point out that there are still people working for $3.35 an hour today, which, adjusted for inflation, is a lower real wage than the 1981 minimum. I agree. But therein lies the lesson: in almost every case, these marginal workers who are employed at $3.35 an hour in 1989, would have been unemployed workers in 1981. Who are we to say they are wrong in working at this wage -- that they are better off unemployed than employed?

Indeed, an argument can be made that the $3.35 per hour job is more important to our economy and to Montana's work force than the position paying $10 or $20 an hour. This is precisely because the $3.35 an hour job represents growth and opportunity that extends down to those people who, more than anything, need a chance to get their foot on the first rung of that economic ladder -- at whatever wage they are economically worth. The importance is not the beginning wage, but the beginning.

Some will say that $3.35 an hour is not a "dignified" wage, that people would find more dignity drawing welfare or unemployment benefits. These folks have a right to their opinions, of course. But do they have a right to bind their opinions of what is a "valuable" job or a "dignified" wage on others who are out of work or who would be thrown out of work by an increase in the minimum wage? In a free society, is it not appropriate to say that each worker has a right to decide for himself?

(minimum wage article attached)

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The Minimum Wage—Good Intentions, Bad Results

by Roger Koopman

Ideas have consequences, Richard Weaver once wrote. They pace the course of human history—both good ideas and bad. And while intentions may be honorable, the passing of time has proven that, in the long term, you can't get good results from bad ideas.

The minimum wage is a classic example of a good intention and a bad idea. The idea behind minimum wage legislation is that government, by simple decree, can increase the earning power of all marginal workers. Implicit in this idea is the notion that employment is an exploitive relationship and that business owners will never voluntarily raise the wages of their workers. Businesses, we are told, must be coerced into paying workers what they deserve, and only politicians know what this is.

Not only does this line of thinking run contrary to the most basic economic principles of a free society, but it is also patently illogical. If government could raise the real wages of millions of Americans by merely passing a law announcing that fact, then why stop at $3.35 per hour, or $4.65, or even $10? Isn't $500 per hour more compassionate than $50? Absurd, you say, and I would agree. But the "logic" is perfectly consistent with the *idea* of a minimum wage, once you have accepted the premise that political decrees can raise wages.

What does make wages rise? It is most certainly *not* government edicts that simply rearrange and redistribute existing wealth. Wages rise in response to the creation of new wealth through greater productivity. The more that a society produces per capita, the more there is to distribute through the marketplace in the form of higher wages, better benefits, and lower prices.

The "bigger economic pie" concept is not complicated in the least, and yet it is a principle that seems to elude us time and again in matters of public policy. We know instinctively that government cannot create or produce anything. It regulates, confiscates, and consumes, all at the expense of the private economy. And yet we still believe that government can wave its magic wand with laws like the minimum wage, and we all will be better off.

Politicians engage in this deception to buy political favor from special interest groups. We keep falling for these political deceptions because our focus is on short-term personal gains rather than on the long-term consequences to the entire nation. We see the apparent benefit of having our own wages increased. But we don't consider the nameless victims of the minimum wage hike who will lose their jobs because the government has priced them out of the labor market. (It is precisely because minimum wage laws eliminate low-skilled workers from competing in the job market that organized labor lobbies Congress for massive minimum wage hikes.)

Commenting on the minimum wage, economist Henry Hazlitt put it succinctly:

> You cannot make a man worth a given amount by making it illegal for anyone to offer him less. You merely deprive him of the right to earn the amount that his abilities and situation would permit him to earn, while you deprive the community even of the moderate services that he is capable of rendering. In brief, for a low wage you substitute unemployment. You do harm all around, with no comparable compensation.[1]

Roger Koopman operates a private employment service in Bozeman, Montana.

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The net loss to society that results from this sweeping act of "wrongful discharge" is staggering. Those losses include: (1) The loss of employment to the individual himself, (2) the shrinking of the economic pie by the loss of his productive contribution, (3) the financial loss to society in supporting him in his idleness (unemployment compensation, welfare, etc.), (4) the financial loss in funding useless job training programs and other government efforts to get him re-employed, and (5) the net loss to society in having consumer prices driven up to cover the higher labor costs, and the loss of market share to foreign competition that may occur.

The cruel irony of the minimum wage is that it harms most the very segments of our society that it is intended to help—the unskilled poor and the inexperienced young. The evidence to support this is overwhelming, and it is the black community that is the hardest hit. In the 1950s, black teenage unemployment was roughly that of white teens. Following years of steady increases in both the level and coverage of the Federal minimum wage, over 40 per cent of the nation's black teenagers are now unemployed.

Just look at all the jobs that have been abolished by the minimum wage—good and worthwhile jobs for those who are taking their first step on the economic ladder. Movie ushers, gas station attendants, caddies, fruit pickers, dishwashers, fast food help, and a wide variety of other entry-level job opportunities have been either cut back or eliminated because the minimum wage has rendered them unaffordable. How tragic this is, when you consider the true value of these low-level jobs to young and unskilled workers.

Reflecting on his early years in a Philadelphia slum, black economist Walter Williams observed:

> None of these jobs paid much, but then I wasn't worth much. But the real value of early work experiences is much more important than the little change a kid can earn. You learn how to keep a job. You learn how to be prompt, respect and obey superiors, and develop good work habits and attitudes that can pay off in the future. Additionally, there is the self-respect and pride that comes from being financially semi-independent.[2]

If a young person is willing to wash cars for $2.50 an hour to gain work experience and self-esteem, is it the right of Congress to tell him he can't do it? Is it, in fact, the right of any politician to make these kinds of economic choices for a free people?

Commenting again on the minimum wage, Williams makes this critical observation:

> It is important to note that most people acquire work skills by working at "subnormal wages" which amounts to the same thing as paying to learn. For example, inexperienced doctors (interns), during their training, work at wages which are a tiny fraction of that of trained doctors. College students forego considerable amounts of money in the form of tuition and foregone income so that they may develop marketable skills. It is ironic, if not tragic, that low skilled youths from poor families are denied an opportunity to get a start in life. This is exactly what happens when a high minimum wage forbids low skilled workers to pay for job training in the form of a lower beginning wage.[3]

In a free society, people must have the right to offer their services in the marketplace for whatever price they choose, whether they are workers serving employers or businesses serving consumers. It is by this process that productivity, wage rates, and prosperity are maximized. Government has no more business objecting to a low wage rate for a menial job than it has objecting to a business that offers its services or products for a low price. Government intervention in these matters distorts economic decision-making, misallocates scarce resources, and destroys personal liberty.

If we are to remain a free people, we need to start trusting freedom, and jealously guard our right to make our own choices about our own lives. Repealing the minimum wage law would be an excellent place to start. □

1. Henry Hazlitt, *Economics in One Lesson* (New York: Arlington House Publishers, 1979), p. 135.

2. Walter Williams, "Wage Laws Keep Teens Jobless," *Colorado Springs Gazette Telegraph*, May 16, 1986 (syndicated column).

3. Walter Williams, "Government Sanctioned Restraints that Reduce Economic Opportunities for Minorities," *Policy Review*, No. 2 (1977), p. 11. (Quoted in *Poverty and Wealth: The Christian Debate Over Capitalism*, by Ronald H. Nash, [Westchester, Illinois: Crossway Books, 1986], p. 122.)

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TESTIMONY ON PROPOSED MINIMUM WAGE INCREASE -- Presented by Bob Davies, Bozeman, Mt.

Thank you for this opportunity to share with you my views on the proposed minimum wage law.

The basic concept of a minimum wage law rests upon several basic premises. I would like to enumerate these premises and show that each of them is false. In the case of most of these premises, simply stating them is sufficient to show they are without merit, Which is why they are usually not stated at all.

PREMISE NUMBER ONE: A minimum wage is something that can be established by law, without regard to market conditions. If this premise is true, why do we set the figure so low? Why not a minimum wage of ten, twenty or even fifty dollars per hour? Then everyone could have a high standard of living. We might even pass a law that would guarantee that a certain price be paid for products and services provided by small businesses so the owners of such businesses could also enjoy a government mandated minimum standard of living as well. Come to think of it, we already do this as well in certain instances. But, isn't it obvious that the minimum wage, which by definition outlaws jobs worth less than the minimum wage, increases unemployment? Of course, some low paid jobs are necessary enough that employers will be forced to pay the higher wage. But those that are not simply disappear. It should be noted that low paying jobs can compete with higher paying jobs. Is this really why the minimum wage is supported by organized labor, whose members almost universally make more than the minimum?

PREMISE NUMBER TWO: Minimum wage laws are necessary because business owners are evil and greedy and will not pay a proper wage to their employees. They must therefore be forced to do so by law. This view is common today since, for the most part, an anti-business attitude is promoted in school, the media and even in entertainment. Polls of college students, for example, have consistently showed that students believed average business profits were on the order of ten times the actual figure. In point of fact, the market will establish wages just as with any other commodity. In other words, a business will pay exactly what it has to in order to get the help it needs. Therefore, the obvious solution to the problem of low wages is to improve the business climate so the competition for the available labor forces the wages up. This has actually been happening in Bozeman in recent years.

Another fact that puts the lie to this anti-business premise is that many workers, particularly those with more advanced skills, make far more than the minimum wage. This is because there is

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greater demand for their skills and the employer must pay them more in order to purchase their services.

PREMISE NUMBER THREE: The economy is viewed as being static. That is, our law makers tend to deal with it as it is today and fail to see the long range effects both of market forces and of their laws. So, it is assumed that a low paid worker will always be a low paid worker. That is, he will never learn enough on the job to become more valuable to his employer, or to another employer, if his present one doesn't raise his wages. This, of course, is patently false. But for this learning process to occur at all, the employer must be able to afford to hire a person in the first place. That is, the worker must be worth what he is paid. If he is not worth the minimum wage, the job is never filled.

The static view also causes one to assume that the number of jobs remains the same. This short sighted view causes politicians to then conclude that in order to right perceived wrongs, they must take positive action. They then do not consider the alternative of improving the business climate so that more jobs are created.

PREMISE NUMBER FOUR: The economy must be managed in minute detail by the politicians. I suppose this tendency of our legislators is simply a result of the ego we all have. It becomes dangerous, however, when it is exercised by those in a position to do great damage using the force of government. I submit that the free market is far better able to determine the intricate balance in the literally millions of individual relationships in our economy than a whole army of politicians or bureaucrats could. This statement was at one time in our history considered to be axiomatic. However, in recent years, we have become infatuated with the idea that the government will take care of us. It isn't working. It should be clear that it can not work by simply looking at the nations of the world which have embraced this idea to an even greater extent than we have. These are the economic basket cases of the world, many of which are looking for ways to raid our treasury.

The minimum wage is anti-business. It distorts the free market. It is looked upon by business people as being coercive, which it certainly is. It becomes just one more factor which may cause a business person to look elsewhere to do business. If wages in a particular area are low, and are allowed by law to be low, this is an obvious advantage to a business, and is an incentive to locate or expand in that area. This eventually causes greater competition for the available labor and forces the wages up. This free market solution is obviously the best solution since it comes as the result of economic growth instead of artificial forcing resulting in business stagnation. A high minimum wage

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with no job on which to apply it is of no value, and is even a detriment to the very people the minimum wage is supposed to be helping. Thus, the minimum wage law is also anti-labor. This is true even though so called "pro labor" groups and legislators are misled into supporting such laws. All they need to see the fallacy of the law is to look at the obvious long term consequences.

In conclusion, I urge you to vote against this bill and in addition, work to reinstate the free market system that has built our great economy. To continue to institute damaging political controls of this sort distorts the economy, creates new problems, and gives the politicians the excuse to come up with still more "solutions" employing more force which cause further distortion. This must eventually result in a totally controlled and stagnant economy. Then, power hungry politicians have the excuse to use still more force to maintain any productivity and order at all. The lesson of history is clear on this matter. Why can we not learn it? Why must it be rediscovered over and over through the massive pain and suffering that always results. Our economy is running on the momentum we built up during the time we were free. It won't last forever. We must inject a fresh supply of what built it in the first place -- freedom.

March 21, 1989

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Labor and Employment Relations Committee
Senator Gary Aklestad- Chairman

Chairman and members of the committee:

The following is testimony prepared by Laurie Shadoan, representing the Bozeman Chamber of Commerce, to be presented by Brian Harlen. The testimony was prepared as opposition to House Bill 28 addressing the minimum wage issue.

The federal government is currently debating minimum wage bills. Debate will vary widely due to the economies differing drastically. Labor Secretary Dole has insisted that the maximum wage increase that the President will sign is for a $.30 raise on January 1, 1990, with two additional $.30 raises, one in 1991, the other to follow in 1992. Secretary Dole also suggests allowing employers to pay new workers $3.35 an hour for the first six months employment.

Only 12 of 50 states currently have a state minimum wage higher than the current Federal Fair Labor Standards Act. Four of those twelve states have either a lower wage for minors or a special training wage. Of those same 12 states the per capita income for 1987 for Montana compared to those states is between $1,607 and $8,919 less for Montanans.

Small businesses make up 99% of all private employers in Montana Less than 1% of private employers in Montana have more than 100 employees. Of these business in Montana 66.2% are retail, service or wholesale trade employers. Employers hit hardest by a minimum wage increase.

1205 E. Main St. • P.O. Box B • Bozeman, Mt. 59715 (406) 586-5421

States with minimum wage laws higher than the current Federal Fair Labor Standards Act

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California	$4.25	$17,821
Connecticut	$4.25	$21,266
Rhode Island	$4.00	$15,555
Alaska	$3.85	$18,230
Hawaii	$3.85	$15,679
Minnesota	$3.85	$15,927
Washington	$3.85	$15,599
Massachusetts	$3.75	$19,142
Maine	$3.75	$13,954
Pennsylvania	$3.70	$15,212
New Hampshire	$3.65	$17,529
Vermont	$3.65	$14,302
Montana	**$3.75***	**$12,347**

*Proposed minimum wage increase in HB 28.

Source: Survey of "Current Business", August 1988 publication, page 30.

I suggest that putting Montana out ahead of the Federal minimum wage is foolish. Opponents like to make an argument for the low income population. If you are truly trying to help the low income people, then I suggest that Montana look at implementing an Earned Income Tax Credit. Eligible workers could apply for the refund at tax time or receive credit in their paycheck by asking employers to set up a "negative withholding" system for payroll taxes, patterned after the federal government.

This minimum wage issue means jobs. Montana needs to continue in a state of recovery. For these reasons, The Bozeman Chamber opposes a minimum wage increase. I urge you to defeat HB 28. Thank you for your consideration.

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Field Position	Data Element	Field Length	Data Specifications For detailed records	For ownership total recor
16 (17) -|	SIZE OF UNIT CODE	1	Required. On first quarter reports, must contain a valid numeric size code (0-9). On second, third and fourth quarter reports, all records must be coded size "0." The employment of all reporting units included in a given record must be within the same size interval based on March employment. Size intervals are listed below with corresponding size codes:	Must be blank or zero.

March Employment	Size Code
0	0
1- 4	1
5- 9	2
10- 19	3
20- 49	4
50- 99	5
100-249	6
250-499	7
500-999	8
1,000 and over	9

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STATE OF MONTANA
DEPARTMENT OF LABOR AND INDUSTRY
RESEARCH AND ANALYSIS BUREAU
RA909B

SIZE CLASS ES-202 LISTING
YRQ 831

		UNITS	1ST-MO	2ND-MO	3RD-MO	TAX
********** TOTAL FOR SIZE CLASS	0	3673	2,511	1,259	3	4,30.,985.71
********** TOTAL FOR SIZE CLASS	1	11484	24,737	24,588	24,969	79,944,140.94
********** TOTAL FOR SIZE CLASS	2	4230	26,642	26,271	27,617	90,540,055.69
********** TOTAL FOR SIZE CLASS	3	2423	31,556	31,772	32,621	115,356,475.30
********** TOTAL FOR SIZE CLASS	4	1346	38,606	38,940	39,940	149,435,063.34
********** TOTAL FOR SIZE CLASS	5	384	25,545	25,667	26,167	94,897,112.61
********** TOTAL FOR SIZE CLASS	6	156	22,782	22,495	22,687	101,752,757.23
********** TOTAL FOR SIZE CLASS	7	29	9,485	9,381	9,425	49,981,753.56
********** TOTAL FOR SIZE CLASS	8	14	9,441	9,505	9,602	96,141,536.49
********** TOTAL FOR SIZE CLASS	9	4	4,609	4,643	4,680	22,721,591.56
* OWNERSHIP TOTAL FOR	50	24144	195,914	195,121	197,708	765,079,137.58
** GRAND TOTAL		26080	258,910	258,483	261,520	1,052,031,327.62

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COVERED EMPLOYMENT AND WAGES IN MONTANA BY
STANDARD INDUSTRIAL CLASSIFICATION FOR 1987

YELLOWSTONE 111	SIC CODE		ESTAB-LISH-MENTS	AVERAGE ANNUAL EMPLOYMENT	ANNUAL WAGES PAID	AVERAGE ANNUAL WAGE	AVERAGE UI TAX RATE
TOTAL ALL INDUSTRIES			3,833	44,659	792,819,431	17,753	2.01
PRIVATE (OWNERSHIP 5)			3,753	37,606	646,878,375	17,201	2.49
AGRI,FOR,FISH			66	377	4,569,986	12,122	2.70
AGRI PROD CROP	01		3	43	422,921	9,835	1.98
AGRI PRO LIVESTK	02		11	126	1,439,675	11,425	2.14
AGRI SERVICES	07		52	207	2,707,389	13,079	3.15
MINING			61	440	13,625,022	30,966	4.35
BITUM COAL & LIG MIN	12		3	27	1,057,970	39,184	2.69
OIL & GAS EXTRACTION	13		55	252	7,612,461	30,208	4.02
MINING & QRY NONMETL	14		3	160	4,954,591	30,966	5.06
CONSTRUCTION			354	1,501	32,963,030	21,961	3.87
GENERAL BUILDING	15		97	416	9,156,635	22,011	3.67
HEAVY CONSTRUCTION	16		29	167	4,004,971	23,981	4.62
SPECIAL TRADE	17		227	918	19,801,422	21,570	3.81
MANUFACTURING			146	3,005	68,297,367	22,728	2.73
FOOD PRODUCTS	20		17	975	21,171,831	21,714	2.69
TEXTILES	22	D					
APPAREL	23	D					
LUMBER	24		13	88	1,601,002	18,193	4.04
FURNITURE	25		5	31	527,749	17,024	2.07
PAPER	26	D					
PRINTING-PUBLISH	27		35	620	10,357,373	16,705	2.05
CHEMICALS	28		7	102	2,833,040	27,774	2.25
PETRO-COAL	29		4	488	17,228,612	35,304	2.59
RUBBER-MISC PLAST	30		5	23	285,050	12,393	3.81
LEATHER	31	D					
STONE-CLAY-GLASS	32		14	163	3,633,139	22,289	4.24
FABRICATED METAL	34		11	198	4,065,215	20,531	3.00
NON ELECT MACH	35		13	102	1,969,340	19,307	2.85
TRANSPORT EQUIP	37		5	84	1,954,278	23,265	2.87
INSTRUMENTS	38	D					
MISC MFG	39		7	105	2,280,203	21,716	2.39
TRANS. COMM. & PU			205	3,032	71,175,569	23,475	2.43
LOCAL-URBAN TRANS	41		10	145	1,479,898	10,206	3.01
TRUCKING-WAREHOUSE	42		121	1,345	32,293,455	24,010	2.51
AIR TRANS	45		13	234	5,028,644	21,489	2.20
PIPELINES(EX NAT GAS)	46	D					
TRANSPORT SERV	47		20	98	1,300,246	13,267	2.18
COMMUNICATION	48		21	720	16,470,664	22,875	2.39
ELECT-GAS-SAN-SER	49		16	425	12,243,309	28,807	2.33
WHOLESALE TRADE			500	4,413	99,160,803	22,470	2.40
DURABLE GOODS	50		328	2,866	62,059,931	21,653	2.42
NONDURABLE	51		172	1,546	37,100,871	23,997	2.37
RETAIL TRADE			769	10,739	109,152,968	10,164	2.28

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COVERED EMPLOYMENT AND WAGES IN MONTANA BY STANDARD INDUSTRIAL CLASSIFICATION FOR 1987

YELLOWSTONE 111	SIC CODE	ESTAB-LISH-MENTS	AVERAGE ANNUAL EMPLOYMENT	ANNUAL WAGES PAID	AVERAGE ANNUAL WAGE	AVERAGE UI TAX RATE
BLDG MAT-GARDEN	52	41	412	6,808,494	16,525	2.58
GEN MERCH	53	17	1,669	16,572,529	9,929	1.88
FOOD STORES	54	58	1,390	16,894,836	12,154	2.27
AUTO DIRS-SVC ST	55	96	1,315	22,496,004	17,107	2.46
APPAREL & ACCESS	56	66	518	4,438,445	8,568	2.32
FURN & HOME FUR	57	80	462	6,361,362	13,769	2.42
EATING & DRINKING	58	246	3,956	23,867,179	6,033	2.35
MISC RETAIL	59	162	1,012	11,714,115	11,575	2.21
FIN.,INS.,R.E		363	2,511	50,626,431	20,162	2.02
BANKING	60	16	901	17,887,204	19,852	1.78
CREDIT AGENCIES	61	42	322	6,539,947	20,310	1.97
SEC-COMM-BRKS-SV	62	34	169	7,860,953	46,514	1.97
INSURANCE CARR	63	23	172	3,927,128	22,832	2.24
INS AGENTS-BRKS	64	93	265	4,673,669	17,636	2.08
REAL ESTATE	65	134	581	8,002,337	13,773	2.40
COMBINATIONS	66	5	28	275,439	9,837	1.61
HOLDING & INVESTMENTS	67	15	69	1,459,750	21,155	2.37
SERVICES		1,284	11,578	197,267,235	17,038	2.31
HOTELS & LODGING	70	38	982	7,796,307	7,939	2.53
PERSONAL SERVICE	72	106	640	5,823,320	9,098	2.04
BUSINESS SERVICE	73	257	1,815	22,310,017	12,292	2.37
AUTO-REPAIR SERVICE	75	99	433	6,282,731	14,509	2.50
MISC REPAIR SERVICE	76	75	274	4,481,905	16,357	2.67
MOTION PICTURES	78	4	73	339,418	4,649	1.72
AMUS & REC SERVICES	79	47	407	4,287,478	10,534	2.70
HEALTH SERVICES	80	249	4,200	97,390,735	23,188	2.01
LEGAL SERVICES	81	89	464	14,559,148	31,377	2.21
EDUCATIONAL SERV	82	14	234	3,113,219	13,304	2.15
SOCIAL SERVICES	83	64	769	8,685,987	11,295	2.62
MUSEUMS, ZOOS ETC	84	3	17	143,343	8,431	2.03
MEMBERSHIP ORG	86	74	394	3,589,202	9,109	2.62
PRIVATE HOUSEHOLD	88	35	63	473,454	7,515	2.58
MISC SERVICES	89	126	806	17,990,963	22,321	2.33
NON-CLASSIFIABLE	99 D					
GOVERNMENT		80	7,053	145,941,056	20,692	.27
STATE		17	1,077	20,374,281	18,917	.27
LOCAL		24	4,238	76,583,916	18,070	.27
FEDERAL		38	1,737	48,982,859	28,199	.00

"D" IN TABLES INDICATES DISCLOSURE SUPPRESSION.

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Ridley Johnson

NFIB Montana

National Federation of
Independent Business

IMPORTANT VOTE FOR SMALL BUSINESS!

HB-28...the minimum wage bill...will be coming up for a vote shortly, and NFIB/Montana has surveyed its 6,000 small and independent business members on this issue. They give a resounding "NO" vote to increasing the minimum wage. First, it is inflationary at a time when we could be looking at an inflationary sales tax. Secondly, they feel the market is a better judge of wages. And, third, it is obvious that the Federal government will be setting it's own minimum wage this year and by setting a state level you could force up the eventual Federal minimum wage to even higher inflation.

The attached clipping gives another good reason for voting against HB-28. It appears a training wage will be included in the new Federal law. HB-28 doesn't allow for this important feature. What happens if our state minimum wage is higher than the Federal training wage? Will Montana's business owners be forced to pay the state minimum wage...and be denied the Federal training wage?

VOTE "NO" ON HB-28!

Sub-minimum wage advances

WASHINGTON (AP) — Sen. Edward M. Kennedy, chairman of the Senate Labor and Human Resources Committee, said Tuesday he would accept some type of sub-minimum wage for newly hired workers along the lines the Bush administration is proposing. The comment appeared to boost chances for a hike in the $3.35 hourly minimum wage.

Kennedy

Kennedy, a Massachusetts Democrat, said any sub-minimum wage provision should be accompanied by provisions for training and education for the affected workers. "The concept of an educational component to the minimum wage, coupled with real training, is not unappealing," Kennedy said in his qualified acceptance of the proposal.

Kennedy's committee is scheduled to meet Wednesday to draft legislation calling for the first increase in the minimum wage in eight years. Sen. Orrin Hatch, the ranking Republican on the committee and a longtime opponent of the minimum wage in any form, said he too will support an increase if Democrats agree to a training wage.

State Office
534 N. Last Chance Gulch #202
Helena, MT 59601
(406) 443-3797

The Guardian of
Small Business

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BILL NO. HB 28

Walt Dupea

8585 Hwy. 35 - Bigfork, Montana 59911
406-837-5753

March 8, 1989

Ref. HB28

Honorable Senator Dennis G. Nathe ;

There are several reasons Government should not be in the Wage Setting Business.

1. Government cannot know and deal with the problems of each individual business.

2. When a person is hired and is in the learning process he costs the business money for a period of time, depending on the person and how fast they learn.

   If we are told what to pay in many cases a person can't be hired because of costs. This hurts the young people who are coming into the labor force.

3. There is an inflationary spiral because a business person must raise prices or go out of business. Then the spiral begins again--cost of doing business is always passed onto the customer.

4. The private enterprise way is further eroded whenever Government interferes in business.

Please vote against HB 28, for these reasons.

Sincerely,

Walt Dupea

Walt Dupea

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MONTANA FARM BUREAU FEDERATION
502 South 19th • Bozeman, Montana 59715
Phone: (406) 587-3153

BILL # HB 28 ; TESTIMONY BY: Valerie Larson

DATE March 21,1989 ; SUPPORT _____ ; OPPOSE oppose

Mr. Chairman, members of the Committee, for the record, my name is Valerie Larson, representing over 3600 Farm Bureau members from all across Montana.

Mr. Chairman, Farm Bureau has gone on record in opposition to House Bill 28 because it poses a serious threat to the agricultural community. Farm Bureau endorses fair and adequate wages. Indeed, most of our producers pay in excess of the proposed minimun wage in order to assure competent and trustworthy employees.

Agriculture producers have a great deal at stake in their operations. To be locked into a minimum wage situation, when we often deal with the young and untrained, will not only affect our business, but will also handicap those individuals who are looking for part-time and seasonal employment. The nature of our industry allows us to employ the untrained in certain areas, which benefits both employees and employer. If our industry is subjected to minimum wage, it will literally preclude the employment of those seasonal workers.

Mr. Chairman, Farm Bureau urges a DO NOT PASS on House Bill 28.

Thank you for your attention.

SIGNED: Valerie Larson

Executive Office
P.O. Box 440
34 West Sixth
Helena, MT 59624
Phone (406) 442-3388

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BILL NO. 3/21/89

TESTIMONY

March 21, 1989
1:00 P.M.

HB 28

Mr. Chairman and Members of the Committee:

For the record, I am Charles Brooks, representing the Montana Retail Association. I am here today in STRONG OPPOSITION to HB 28.

The Montana Retail Association represents approximately 1,000 retail stores throughout the state of Montana.

The proposed increase in the state minimum wage will adversely impact employment in our state, by raising the absolute and relative cost of hiring and retaining low-wage workers.

Should HB 28 pass the adverse options retailers face are these:

Reduction in services

Layoffs

Reduction in the number of full time employees

Under employment - reduced hours worked per employee

Reduction in voluntary fringe benefits

Consumer price increases

Given the competitive factors in this field - price increases cannot entirely off-set this increase in total labor cost. Labor cost is the largest line item of expense in a retailers operating statement.

The "Ripple Effect" of a minimum wage increase will impact all levels of wages. It has been my experience as a long

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time former retailer in this state, with an increase in minimum wage that all other levels will expect a comparative rise in their wages.

As a major employer of lower-wage workers, we submit to you the following facts for your consideration:

Minimum Wage and the Poverty Myth

The overwhelming majority of minimum wage workers are young and inexperienced but not poor. According to the Bureau of Labor Statistics:

* Nearly two-thirds of minimum wage workers are between the ages of 16 and 24 - many teenagers working at their first job.

* Nearly two-thirds of minimum wage workers are working as part-time employees.

* Sixty-eight percent of minimum wage workers are single, sixty percent have never been married.

Nationally 70% of the recipients of minimum wages come from families with income more than 200% above the poverty level.

This type of legislation will adversely effect those with few skills, poor education, our young people who are earning income to assist in their education; and entry level employment opportunities will be reduced. Similarly we are concerned that passing a minimum wage greater than the federal level would send the wrong message to business enterprises that are considering Montana for new ventures. We see this proposed legislation having a negative impact on economic development in our state.

We urge you to give HB 28 a "do not pass" recommendation.

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Will minimum wage help the worker?

By JOHN CUNNIFF

NEW YORK (AP) — Almost any day of the week you may find instances of where politics and economics clash, but none with more noise than when minimum-wage legislation is the subject.

So high are the political decibels that some economists claim judgment is skewed. According to some politicians, so cold is the economic logic that it is bereft of human dimensions.

But whether the perspective is mainly political or economic might be far less important than another aspect of minimum-wage proposals — that they might not help those they are intended to help.

That is the contention of economist William Dunkelberg, who has studied, consulted and lectured intensively on the subject. "The minimum wage is earned primarily by secondary earners from above-median income families," he states.

Low-income workers, says Dunkelberg, account for only a bit more than 10 percent of all workers earning the minimum wage. And in retailing, a major employer of lower-wage workers, 70 percent of recipients are from families with incomes more than 200 percent above the threshhold poverty level.

Citing statistics such as these, Dunkelberg states unequivocally that minimum-wage legislation "cannot effectively redistribute income to the poor." Most beneficiaries, he says, are people we aren't trying to help.

"Trying to help the less-advantaged is an admirable goal and one that we all probably support," says the professor, formerly of Stanford and Purdue universities and now dean of the graduate business school at Temple University.

He continues: "Let's do it efficiently, not with the shot-gun approach of a minimum wage that is destined to miss its target nine out of 10 times while imposing substantial economic costs on us all."

In fact, he continues, a system already exists that could do even better for the poor. He explains:

"States alone devote an amount to public welfare programs that, if distributed directly to the poorest 10 percent of all families in the United States, would yield more than $12,000 per family a year."

Dunkelberg points out that benefits of that level would be much higher than congressional proposals to raise the minimum wage from $3.35 an hour in three annual steps to between $4.25 and $4.55 in 1991.

Already many workers employed in what used to be minimum-wage jobs earn far more than that in areas of New England and California, a consequence of thriving economies marked by unusually low unemployment.

Dunkelberg opposes minimum-wage legislation for other reasons too, among them:

• Most workers earn the minimum wage for only short periods of their lives, advancing to higher paying jobs as their skills improve.

• What he perceives to be a threat to the hiring capabilities of very small businesses, where many unskilled workers obtain their first job experience.

• His belief that raising the minimum wage would add to inflation, albeit by only a fractional amount.

• His contention that the increases proposed would add to unemployment — again, however, by only a tiny amount.

But, he concludes, those tiny percentages are meaningful. They add up.

"The adverse employment effects don't bother most of us — just those with few skills, poor educations, unlucky draws in the genetic lottery and young people."

He asks: Aren't these the people we hope to help?

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TESTIMONY OF JOHN R. GLENNIE

before the

COMMITTEE ON LABOR AND HUMAN RESOURCES
OF THE UNITED STATES SENATE

1. My name is John R. Glennie. I am a Vice President of Robert R. Nathan Associates, Inc., an international economic and management consulting firm founded in 194 and based in Washington, D.C. In addition to my sever years with this firm, I have served as a member of the full-time faculty at the School of Business Administration at George Washington University. I was for eight years an Adjunct Professor of Law at Georgetown Univer sity Law Center. I have been involved in labor market issues previously in the context of strategic planning for manpower programs and as an expert economist in tor litigation. I have an undergraduate degree from Denisc University, an MBA from Indiana University, and a docto ate from George Washington University. I am here with colleague from the firm, Mr. Robert Damuth. I am pleas to have this opportunity to appear today before the Cor mittee to comment on the proposed minimum wage legisla tion.

2. Whether the United States Congress today should legisla minimum wage increases and, if so, the level at which t minimum wage should be set is a complex economic and political issue. The debate over the minimum wage come

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at a time when the nation's economic goals include job creation, reduction in the incidence of poverty, and a more equitable income distribution. It is my conclusion that enactment of the proposed minimum wage bill would undermine attaining these economic goals. Furthermore, raising the minimum wage would fail to achieve the purported goal of minimum wage legislation, namely, maintaining a minimum standard of living for workers while not substantially curtailing employment or earning power.

3. These conclusions rest, in part, on a body of economic literature pertaining to the minimum wage that has developed over the last four decades. The preponderance of evidence found in the economic literature supports the contention that minimum wage legislation reduces employment. My conclusions also rest on our own research, which was commissioned by the Retail Industry Task Force on the Minimum Wage and focuses particularly on employment in the retail industry, excluding eating and drinking establishments.

4. Enactment of the proposed bill would put people out of work, a result that runs counter to the purported goal of minimum wage legislation. During the first year following enactment of the bill, 337,000 people will lose their jobs; 92,000 of them will be from the retail industry. If the 1990 minimum wage of $4.65 were enacted, 882,000 people would lose their jobs, 364,000 from the retail industry.

These losses in jobs are the direct impacts on employment of the proposed minimum wage increases. Additional losses will occur as increases in the minimum wage exert pressure to elevate other wages above the level of the new minimum wage. This ripple effect occurs as higher wage workers request and receive wage increases that maintain previous wage differentials.

Many advocates of a higher minimum wage note that employment grew during the last period of minimum wage increases (1978-81) and conclude that no adverse impacts occurred. This conclusion is incorrect. Approximately 250,000 jobs in retailing were lost between 1978 and 1981. The impact of the minimum wage increases was realized as a slower rate of job creation. This is supported by the fact that the number of jobs in retailing has grown faster since 1981, when the minimum wage was unchanged, than between 1978 and 1981. These job losses plus those we can expect if the proposed legislation is enacted are summarized in Exhibit 1.

5. Raising the minimum wage would do virtually nothing to alleviate poverty. Direct wage gains, which would be insignificant, would accrue mostly to middle income families, not the poor. As illustrated in Exhibit 2, 70 percent of low wage (less than $4.65 per hour) retail workers are from families whose incomes are at least twice as great as the poverty level. Twenty percent come from families whose annual incomes exceed $50,000. Only 10 percent come from families with incomes below the poverty level.

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The family status of low wage workers explains why so few are from impoverished families. In 80 percent of the cases, the low wage earner in retailing is not the sole breadwinner in the family. Most low wage workers are women, teenagers, and young adults whose earnings merely supplement family income.

6. Any increase in the minimum wage has to be paid for by someone. Those who pay include, first and foremost, those who lose their jobs. The disemployed retail worker's average annual loss in total compensation is $4,725, which includes $3,500 in direct wages. The cost burden of minimum wage legislation is highly regressive -- the poor bear the heaviest burden. The disemployed retail worker from a family at or below the poverty threshold loses total compensation worth at least half of family income. In contrast, the disemployed retail worker from a family far removed from poverty -- 70 percent of low wage retail workers -- loses compensation worth, at most, only one-fourth of family income.

7. Workers and consumers will also pay the price of a higher minimum wage. Workers who remain employed will likely see reductions in fringe and other non-wage benefits, including training opportunities, as total personnel costs are brought back into line with sales revenues. Work hours will be reduced. Consumers -- the employed, underemployed, and unemployed -- will pay more for certain products, as some retailers raise prices to recover costs. Consumers will also pay in terms of reductions in customer service, product availability, and product and price information. All of these actions

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occur to offset the higher costs of a higher minimum wage. The result is a reduction in the already modest direct wage gain ($425 per year) of the minimum wage worker who remains employed. Furthermore, the gain is reduced again by payment of income taxes.

8. A higher minimum wage has a greater adverse impact on employment in the retail industry than in other industries. Furthermore, indexing future minimum wage increases will be especially debilitating. Productivity growth determines wage growth, and productivity growth in retailing lags behind other industries. As Exhibit 3 illustrates, labor in retail trade in 1985 produced only about $11.00 of output per hour. In contrast, labor in manufacturing produced $19.00 per hour; in communications, labor produced $33.50 per hour. Productivity in retailing between 1981 and 1985 grew 1.9 percent. Three other industries had greater gains, ranging from 3.2 to 4.1 percent; four industries experienced productivity declines. These differences leave the retail industry and those who work in it especially vulnerable to the adverse impacts of across the board increases in the minimum wage.

9. In conclusion, legislating minimum wage increases is an inappropriate and ineffective means of eliminating labor conditions detrimental to the maintenance of the minimum standard of living necessary for the health, efficiency, and general well-being of workers. Minimum wage increases create disemployment, accrue mostly to middle income families and, when applied across the board, discriminate against industries with low labor productivity. These results are not compatible with our nation's current economic goals.

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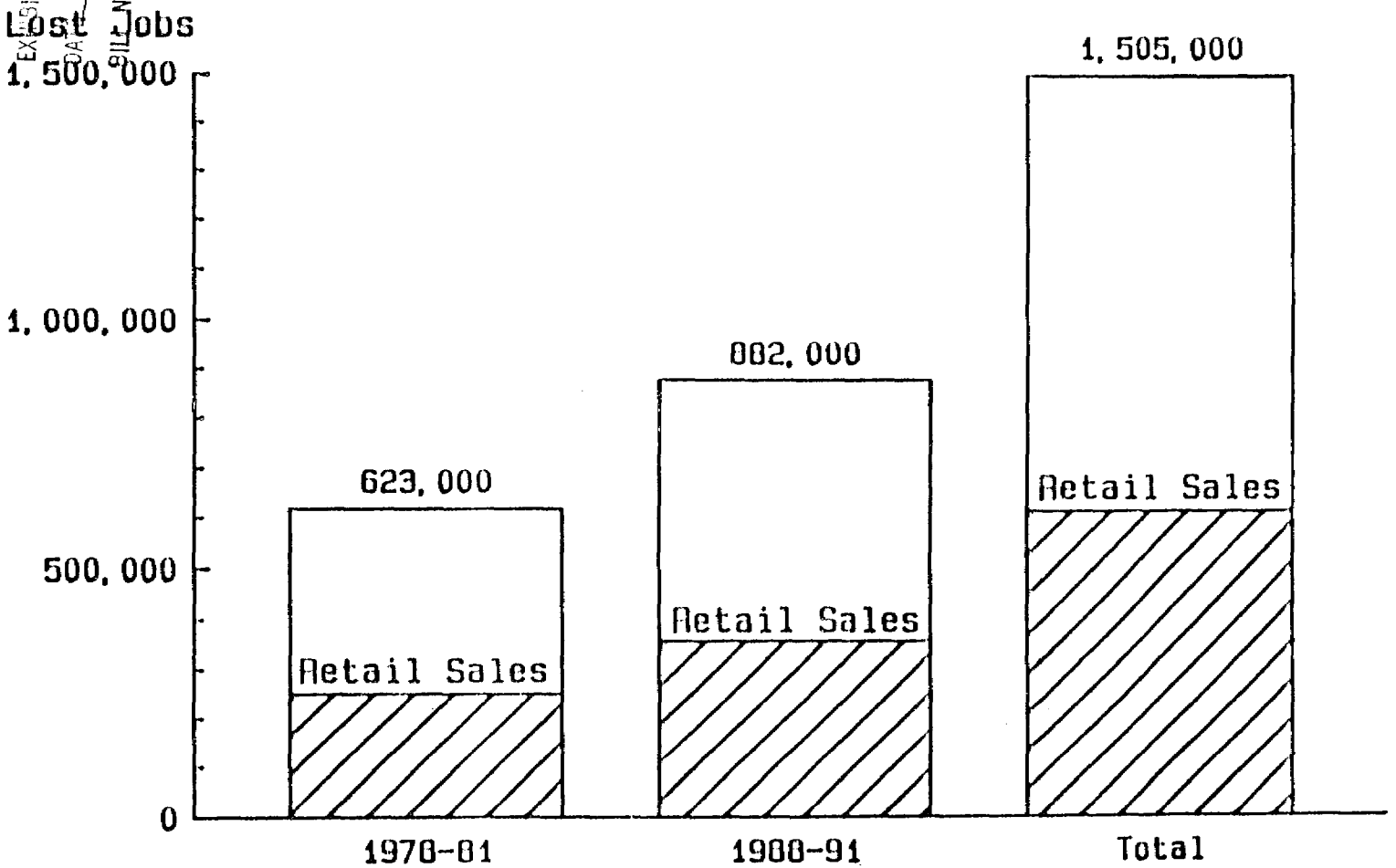
Exhibit 1. Job Losses from Increasing the Minimum Wage, 1978-81 and 1988-91



Source: RRNA.

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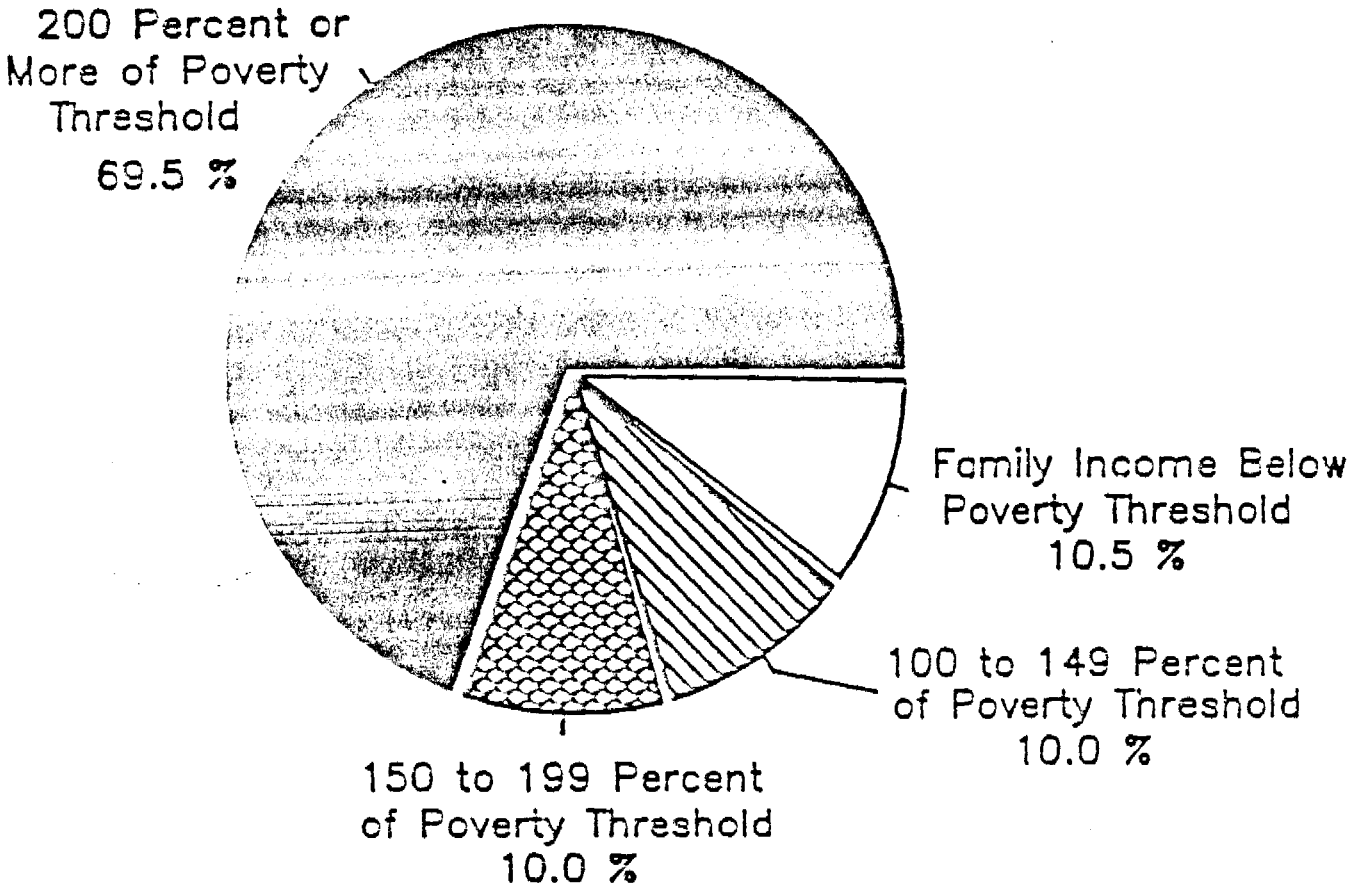
Exhibit 2. Distribution of Low Wage Retail Sales Workers by the Ratio of Family Income to the Poverty Threshold


200 Percent or More of Poverty Threshold
69.5 %
Family Income Below Poverty Threshold
10.5 %
100 to 149 Percent of Poverty Threshold
10.0 %
150 to 199 Percent of Poverty Threshold
10.0 %

Note: The 1985 Poverty threshold income for a family of four was $10,989. Low wage retail sales workers are those who earn less than $4.65 per hour.

Source: RRNA, from March 1986 CPS data.

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10. Thank you for this opportunity to express my opinion. I have with me a copy of the Executive Summary of a report we are preparing about the impact of higher minimum wages, which I request be included in the record. Our full report is also available to the Committee.

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BILL NO. HB28

March 9, 1989

To: Senate Labor Committee

From: Montana Stockgrowers Association, Montana Cattlewomen, and Montana Association of State Grazing Districts

Subject: House Bill 28 - Increasing the minimum wage

Mr. Chairman, members of the committee:

My name is Kim Enkerud. I am representing the Montana Stockgrowers, Montana Cattlewomen, and Montana Association of State Grazing Districts. These organizations represent about 4000 ranch families, many of whom hire help to run their ranches.

We have no problem with paying a person who is a valued employee the minimum monthly wage. In fact, in most cases our help is paid an amount over the minimum wage. In the February 28, 1989 Montana crop and livestock reporter, an article on farm wages is printed. During the January 1989 survey, farm operators paid their hired workers an average wage of $5.51 per hour. Workers paid on an hourly basis earned $5.14 per hour. In addition to wages, benefits such as housing and meals were provided to 53% of the hired workers.

Our concern with this bill is as follows. In many situations, young and untrained people are employed when seasonal and part-time help is needed. The nature of our industry causes us to employ this type of worker during certain times, which benefit both the employer and the employee. To be tied into paying a minimum wage, could possibly lead to many of these people not being hired by our members. As the part time employee gains more experience and is hired over and over again, their wages are often adjusted upward. We do not feel a person should be guaranteed a wage unless he or she is qualified for it. The hiring of young people and temporary workers will be affected with this bill.

We urge the committee to not concur House Bill 28.

Thank you.

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COMMITTEE ON HB 28

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppos
Eugenia Collins	NURE Local 5L	HB 28	✓	
Kathy Kirsch		HB 28		✓
Marvin Alvos	U.F.C.W 1991	HB 28	✓	
Bob Heiser	UFCW	HB 28	✓	
Bob Morawic	Missoula Chamber	HB 28		✓
Brenda Nordlund	MT Women's Lobby	HB 28	✓	
Wilbur Kellmann	Mt Nurse Assn	HB 28	✓	
JAMES T MULAR	MONT JOINT RAIL LABOR LEGIS COUNCIL	HB 28	✓	
Cheryl Vick	self	HB 28		X
Dan Shellenberger	Self	HB 28		X
Ken Hansen	self			
Sue Fifield	MLIC	HB 28	✓	
Dorothy Klincaid	self (Small Business)	HB 28		✓
John Rey	Self & Small Bu	HB 28		✓
Linda Mellon	Self	H 28	✓	
Don Judge	MT STATE AFL-CIO	HB 28	✓	
Lem Staley	Mt Restaurant Assoc	HB 28		X

(Please leave prepared statement with Secretary)

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COMMITTEE ON HB 28

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppo
Walt Dupea	Self	HB 28		X
Bob Davies	SELF	HB 28		X
Roger Koopman	Farmer Consolidated Personnel Hearing	HB 28		X
Charles Brooks	MT. Retail Assoc	HB28		X
JAMES TUTWILER	MT CHAMBER COM	HB28		X
Marbelle Reed	Concerned Citizens		X	
Riley Johnson	NFIB			X
Margaret Richardson	Montana Innkeepers	HB28		X
Bonnie Tippy	Montana Innkeepers	HB28		X
Jim & Cathy	Self	HB28	X	
Chris Russell	Self	HB28	X	
Allison Ladd	self	HB28	X	
Betty Doolittle	self	HB28	X	
Jay Doolittle	self	HB28	X	
Virginia Jellison	MCIC	HB28	X	
Mi Niklas	MEA	HB28	X	
John L. Lehman	Mt Catholic Conf	HB28	X	
Sarah Crotty	Concerned Citizens	HB28		
James Mueller	Concerned Citizens	HB28		
Richard Spong	Self	HB 28	X	
Enkerud	MT Stockgrowers, State Grazing Dist (MT Cattlemen)	HB28		X
LAURIE SHADOAN	BOZEMAN CHAMBER			X
Ike Craig	Associated Students of the Univ of MT	HB28	X	
Joseph Moore	Mt. Rainbow Coalition	HB28	X	
Judy McRae	Dietland Inn Kalispell	HB28		X
J. Q. Rowe	H.E.R.F. Local 56	HB28	X	

(Please leave prepared statement with Secretary)

LABOR COMMITTEE

VISITORS' REGISTER

51st LEGISLATIVE SESSION

DATE: 3/21/89

LEAVE PREPARED STATEMENTS WITH SECRETARY! PLEASE!!! HB28

PRINT: NAME	REPRESENTING	Check One: Support	Check One: Oppose
Valerie Lawson	Farm Bureau		X
[illegible] J.T. Lewis	SELF (No Prepared Statement)		X
Diane Smith	Montana Grains - Hdq		X
Gregory Smith	SELF		X

community checks on what is being accomplished to make sure the intentions are being carried out, the state should do the same.

Recommendation and Vote:

Senator Aklestad stated the bill is to be considered in the original form: HB 529 BE CONCURRED IN. A roll call vote was taken: Senators Keating, Hofman, Devlin, Nathe, and Aklestad voted YES. Senators Lynch, Pipinich, Manning and Blaylock voted NO.

DISPOSITION OF HOUSE BILL 28

Amendments and Votes:

Senator Aklestad stated the amendment #1 allows the state minimum wage to kick in at the same time the federal minimum wage kicks in.

Senator Manning asked if the amendment deals with a training wage. Senator Aklestad stated no. The training wage is dealt with by a separate amendment. (#2)

Senator Lynch stated, in the event Congress goes higher than two years and $4., the state will also do the same. Senator Aklestad stated the goal is to kick in on January 1, 1990. The increment will be $.40. Tome Gomez explained the Congressional proposed amount will be $3.85 on January 1, 1990, $4.25 on January 1, 1991, and $4.25 on January 1, 1992.

Senator Aklestad stated under the federal guidelines, when the federal government makes raises, the state is mandated to include the raises. Tom Gomez stated there is a federal minimum wage for those persons who are employed in enterprises engaging in commerce. The qualifications factor is: The business has a current gross sales of more than $362,500 per year. Anyone employed by a firm, doing less the $362,500 per year, are subject to the state minimum wage law.

Smaller companies pay the state minimum wage, and larger companies pay the federal minimum wage. They are necessarily not the same.

Senator Lynch stated, under the proposed law, we are going to make them the same. Gomez said, if fact, the way this is written up. The state legislature will adjourn without knowing what the federal government mandates. There needs to be mechanisms to allow for the minimum wage to be raise.

Senator Hofman stated if the amendment passes, the only businesses that will kick in are the large businesses. The smaller, $362,500 and below will stay at the rate it is now.

Senator Lynch asked about the language dealing with the commissioner's authority. The commissioner will have the authority to put the minimum wage into effect.

Senator Aklestad stated the effect of the amendments when the feds kick in, everyone's will go up, including those that are less than $362.500 gross sales.

Senator Lynch stated, instead of the new minimum wage kicking in on June 30th, there will be no increases in minimum wage until January of 1990. The amendments say the legislature will change the current state law to coincide with the federal. The bill, as is, raises the minimum wage for everybody. It is raised at a difference rate and at a difference time period. Senator Lynch asked if the bill denies raises this year. Yes.

Senator Keating asked if the committee thinks the federal wage act will be passed this year. Senator Lynch said yes. Senator Aklestad gave figures used in the current congressional debate.

Senator Blaylock stated he will support the bill without the Aklestad amendment. It is tempting to say we will go with the feds because possibly down the road people may get more money, but in reading reports and examining Montana's economy, the Montana economy is far more driven by national, than Montana forces. The minimum wage being considered in Washington is a national business force. Montana is not up with the National standards. Montana business is hurting in a lot of ways. To say Montana is going to tie with federal law, and we are going to boost the rate to $4.50 or whatever,is something to consider. It will be tough for the small business people to come up with the money. Senator Blaylock stated he thinks $4.00 is reasonable. To say, we are going beyond that amount and tie in with the federal is not good for all the people in the state.

Senator Aklestad asked Senator Blaylock if it would be better to have the gross at $362,500 and be able to go at the state minimum wage. Senator Blaylock stated that is federal law, and we cannot do anything about it. Senator Aklestad stated we can establish the minimum wage.

Senator Blaylock said he would like to see $3.75 for the smaller businesses and $4.00 for the larger businesses.

Senator Aklestad said the bill is being amended because it appears the bill will go into effect sooner than the economy of Montana can handle. It goes at a little higher rate, and it goes quicker after it kicks in.

Senator Pipinich stated his constituents want the raise now. Most of the business people say they can live with this bill, as is. Senator Keating stated Senator Pipinich's people want jobs.

Senator Keating paraphrased Senator Blaylock's remarks to question the fact that Montana is driven by outside forces, and Montana is not controlling her own destiny. Discussion followed. Senator Blaylock stated, if you take a look at the unemployed figures, you see that people have left the state. Businesses are staying healthy in the rest of the country.

Senator Keating said the proposed law will make the wage higher than any surrounding state. It will kill the employers, and the employee will get hurt.

Senator Blaylock stated this is not the same thing they told me when I carried the Minimum Wage Bill before.

Amendment and vote:

A roll call vote was taken. Senators Keating, Devlin, Nathe, and Aklestad voted YES. Senators Hofman, Lynch, Pipinich, Manning and Blaylock voted NO. The motion failed.

Senator Aklestad offered an amendment to establish a lower minimum wage for employers that are newly hired. The amendment would be for the first 190 days of the new hire, the employee will be at the $3.35 per hour. The section two and three is the protection, so you can't have an employer that just hires, fires, and hires to keep the individual at $3.35. per hour.

Amendment and Vote:

A roll call vote was taken. Senators Keating, Hofman, Devlin, Nathe, and Aklestad voted YES. Senators Lynch, Pipinich, Manning and Blaylock voted NO. The motion passed.

Recommendation and Vote:

Senator Lynch moved AS AMENDED BE NOT CONCURRED IN.

Senator Hofman stated he is going to vote against this bill

because if the federal government comes in with the increases. The legislation will effect all the businesses in Montana that have more than the $362,500 level. These are the places where we need to keep the minimum wages in order to keep the people employed. The job will get done without HB 28.

A roll call vote was taken. Senators Lynch, Pipinich, Manning, and Blaylock voted YES. Senators Keating, Hofman, Devlin, Nathe, and Aklestad voted NO. The Motion Failed.

Senator Lynch requested a Minority and Majority Report.

Senator Aklestad requested a roll call vote, then asked the secretary to change the roll call vote to read: AS AMENDED BE CONCURRED IN.

ADJOURNMENT

Adjournment at: The meeting was adjourned at 938 a.m.

Senator Gary C. Aklestad, Chairman

GCA/mfe

Minutes.322

ROLL CALL

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: March 22, 1989

	PRESENT	ABSENT	EXCUSED
SENATOR TOM KEATING	X		
SENATOR SAM HOFMAN	X		
SENATOR J.D. LYNCH	X		
SENATOR GERRY DEVLIN	X		
SENATOR BOB PIPINICH	X		
SENATOR DENNIS NATHE	X		
SENATOR RICHARD MANNING	X		
SENATOR CHET BLAYLOCK	X		
SENATOR GARY AKLESTAD	X		

MR. PRESIDENT:

We, your committee on Labor and Employment Relations, having had under consideration HB 28 (third reading copy -- blue), respectfully report that HB 28 be amended and as so amended be concurred in:

Sponsor: Harrington (Aklestad)

1. Title, lines 6 and 7.
Following: the second "AN ACT" on line 6
Strike: remainder of line 6 through "WAGE" on line 7

2. Title, line 8.
Following: "~~1990~~"
Insert: "REVISING THE STATE MINIMUM WAGE LAWS TO REQUIRE THE STATE MINIMUM WAGE TO BE SET IN ACCORDANCE WITH FEDERAL LAW, BUT NOT TO EXCEED $4 AN HOUR"

3. Title, line 11.
Following: ";"
Insert: "ESTABLISHING A LOWER MINIMUM WAGE FOR EMPLOYEES WHO ARE NEWLY HIRED;"

4. Page 1, lines 19 and 20.
Following: "employees"
Strike: ": (a)"
Insert: "a wage of not less than the applicable minimum wage as determined by the commissioner in accordance with [section 2]"

5. Page 1, line 23 through page 2, line 1.
Strike: "at" on line 23 through "1990" on page 2, line 1

6. Page 3, line 8.
Strike: "$3.35"
Insert: "$4.00"

7. Page 3, line 9.
Strike: "after"
Following: "~~[section 2]~~"
Strike: "SEPTEMBER 30, 1989"
Insert: "beginning January 1, 1990"

8. Page 3, line 19.
Following: line 18
Insert: "NEW SECTION. Section 2. Adoption of minimum wage rates. The commissioner shall adopt rules to establish a minimum wage that must be the same minimum hourly wage rate as provided under the federal Fair Labor Standards Act (29 U.S.C. 206), but not to exceed $4 an hour."

"NEW SECTION. Section 3. New hire wage. (1) In lieu of the

minimum wage provided for in 39-3-404(1), an employer may pay an employee a wage of at least $3.35 an hour if the employee has not been previously employed by the employer.

(2) An employer may pay an employee the minimum wage authorized in subsection (1) for a period not to exceed 180 days beginning from the date the employee is hired.

(3) An employee may not be displaced by another employee (including partial displacement, such as a reduction in the hours of nonovertime work, wages, or employment benefits) for the purpose of allowing the employer to pay the minimum wage described in this section."

Renumber: subsequent section

AND AS AMENDED BE CONCURRED IN

Signed: _____

Gary C. Aklestad, Chairman

SCRHB028.325

ROLL CALL VOTE

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: 3-22-89 BILL NO: HB 28 TIME: #1

Akkested Amendment #1

VOTE:	YES	NO
SENATOR TOM KEATING	X	
SENATOR SAM HOFMAN		X
SENATOR J.D. LYNCH		X
SENATOR GERRY DEVLIN	X	
SENATOR BOB PIPINICH		X
SENATOR DENNIS NATHE	X	
SENATOR RICHARD MANNING		X
SENATOR CHET BLAYLOCK		X
SENATOR GARY AKLESTAD	X	

Motion Failed 4 5

ROLL CALL VOTE

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: 3-22 BILL NO: HB 28 TIME: #2

Aklestad #2 Amendment

VOTE:	YES	NO
SENATOR TOM KEATING	X	
SENATOR SAM HOFMAN	X	
SENATOR J.D. LYNCH		X
SENATOR GERRY DEVLIN	X	
SENATOR BOB PIPINICH		X
SENATOR DENNIS NATHE	X	
SENATOR RICHARD MANNING		X
SENATOR CHET BLAYLOCK		X
SENATOR GARY AKLESTAD	X	
	5	4

Motion passed

ROLL CALL VOTE

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: 3-22-89 BILL NO: HB28 TIME: #3

Lynch - As Amended, Be Not Concurred In

VOTE:	YES	NO
SENATOR TOM KEATING		X
SENATOR SAM HOFMAN		X
SENATOR J.D. LYNCH	X	
SENATOR GERRY DEVLIN		X
SENATOR BOB PIPINICH	X	
SENATOR DENNIS NATHE		X
SENATOR RICHARD MANNING	X	
SENATOR CHET BLAYLOCK	X	
SENATOR GARY AKLESTAD		X
	4	5

ROLL CALL VOTE

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: 3-22-89 BILL NO: HB 28 TIME: #4

As Amended Be Concurred In

VOTE:	YES	NO
SENATOR TOM KEATING	X	
SENATOR SAM HOFMAN	X	
SENATOR J.D. LYNCH		X
SENATOR GERRY DEVLIN	X	
SENATOR BOB PIPINICH		X
SENATOR DENNIS NATHE	X	
SENATOR RICHARD MANNING		X
SENATOR CHET BLAYLOCK		X
SENATOR GARY AKLESTAD	X	

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

CONFERENCE COMMITTEE ON LABOR AND EMPLOYMENT RELATIONS

Call to Order: By Senator Gary C. Aklestad, on April 11, 1989, at 12:30 P.M. in Room 304 of the state Capitol.

ROLL CALL

Members Present: All Conference Committee Members were present: Senator Gary C. Aklestad, Chairman
Senator Jerry Devlin
Senator J.D. Lynch

Representative Dan Harrington, Chairman
Representative Clyde Smith
Representative Jerry Driscoll

Members Excused: There were no members excused.

Members Absent: There were no members absent.

Staff Present: Mary Florence Erving, Senate Labor and Employment Relation Secretary

CONFERENCE COMMITTEE ON HOUSE BILL 28

Senator Aklestad stated the Conference Committee will operate under the current rules of the Senate. The Committee will disregard the floor motion made by Senator Halligan to allow a free Conference Committee to be able to amend existing amendments. The rule will not be in effect this year, but will be in effect next session. The Senate will operate under the assumption the Conference Committee can only accept or reject amendments. The members cannot amend the amendments or amend the bill.

Senator Aklestad stated the Senate amendments will change the law, so when the federal minimum wage kicks in, so will the other factors kick in, such as the day and the amount. Under the Senate amendments, everyone over $362.500 gross receipts, will automatically kick in the same time the federal kicks in, money wise and date wise. There is also a provision for a start up (Training) wage of 180 days at a lessor figure of $3.35 per hour.

Senator Devlin stated Farm Labor is also addressed. The figure may vary, and perhaps go higher than the national level.

Senator Lynch asked why it took two weeks to meet. Senator Aklestad replied the Conference Committee was not ignored. Senator Aklestad stated he has met with individuals and talked to Representative Harrington. Senator Aklestad stated the Senate was reluctant to change the Senate consensus. Representative Harrington chose to wait before scheduling a Conference Committee. The conclusion of the conversation has been in the news papers.

Senator Lynch asked Senator Aklestad why he thought the decision was irrevocably set when the Lynch Amendments were defeated on a 24-24 tie vote.

Senator Aklestad stated since the committee is meeting as a Conference Committee, the objection is to accept or reject the amendments. Senator Aklestad stated he is in favor or keeping the amendments on HB 28.

Representative Harrington stated the Senate amendments has destroyed the state minimum wage. Montana has always had the minimum wage, which has been separate from the federal minimum wage. If the federal government is unable to pass the new minimum wage, Montana does not obtain a minimum wage increase. The amount stays at $3.35 per hour. Representative Harrington stated the 180 days stipulation is ridiculous. There are no guidelines concerning a hourly wage in regards to the 180 days. A person could be hired, could stay on the payroll for six month, and could then be fired. The federal government is going to come in with a trainee wage of 60 days. The Montana law should have training specifications. Representative Harrington stated all the amendments are ridiculous.

Senator Aklestad stated the federal government will come up with a minimum wage. President Bush is in favor of doing something with the minimum wage, but not to the degree the House side of the US Congress wants. Senator Aklestad stated he is confident the minimum wage will be decided. Montana will adopt the federal lead. Senator Aklestad stated it would not be proper for Montana to trigger a minimum wage earlier than the US Congress, especially in lieu of Montana's economic conditions.

Senator Lynch asked Senator Aklestad if $3.75 is too high a wage for a person to make. Senator Aklestad stated it is the time factor. It is not right that the state minimum wage kicks in before the Federal Minimum wage. The plan would not be most advantageous for Montana.

Senator Lynch suggested the Conference Committee be dissolved, and requested a Free Conference Committee. The House is not going to accept, the Senate is not going to reject.

Senator Lynch asked Senator Aklestad if it was his intention to kill House Bill 28. Senator Aklestad stated no, it was not his intention. Senator Lynch stated the bill was killed once in committee by a five to four vote. Senator Lynch asked Senator Aklestad if it the intention of the Republicans not to approve the minimum wage for Montana. Senator Aklestad said no, although not everyone in the committee approved the latitude that eventually was approved by the amendments.

Representative Harrington stated, for all intensive purposes, the bill has been killed. The cap put on the bill will produce a worse minimum wage in the long run. The Senate amendments are worse than what President Bush wants. The House will never accept the types of amendment because it does away with the minimum wage. Senator Devlin stated this is what has to be established. Whether or not the House wants to negotiate or change, if there is any likelihood of give on either side. If there is not, then there will be no Free Conference Committee.

Senator Harrington said he could possibly shade the 180 days, if the Senate would specify a training period that was like the federal government. Senator Lynch said the Lynch amendment was defeated in committee. If Montana is going to tie in with the federal government, Montana should follow the same guide lines. Senator Lynch said he understands the Senate Republicans do not want a minimum wage increase this year. Senator Aklestad stated he cannot speak for all Republicans, but the Republicans on the committee thought a possible increase in the minimum wage this year, in light of the economy, might not be the best. Senator Aklestad stated he would like to set the record straight, Montana would have the minimum wage, geared to the Federal Government. As the minimum wage goes up federally, so does the state minimum wage, but the state cap is $4.00. Senator Lynch stated the Montana cap will be $4.00, even if the federal wage goes to $4.40. Everything from $3.35 to $4.00 follows right along with the federal jumps until the $4.00 is reached. If the Senate amendments are not accepted, HB 28 is killed, the state minimum wage stays at $3.35.

Representative Harrington stated the action would kill the state minimum wage for Montana. Montana has always been independent. There is a subminimum wage in this bill, so don't say it is good for Montana. One hundred eighty days

training period holds people under the $3.35 wage for a long time. Senator Lynch stated the bill tells the farm workers they are worth one hundred dollars a week take home pay.

Senator Aklestad said there is room for negotiation, but there is not room to take out the total amendments. Senator Aklestad asked for a motion to accept or reject HB 28's amendments.

Representative Driscoll made a motion to accept the House Version of the HB 28. A roll call vote was taken. The YES votes were cast by Senator Lynch, Representative Driscoll and Representative Harrington. The NO votes were cast by Senator Devlin, Senator Aklestad, and Representative Smith. The motion failed.

Senator Lynch moved the committee to go to a Free Committee Conference. Representative Harrington stated, in essence, what the Conference Committee accomplished was to kill the minimum wage. There is not way the House is going to accept the amendments. Senator Aklestad stated in order to save time, the intentions of the House should be brought out now, If the House does not want to negotiate, please state your position. The House stated they favored a Free Conference Committee. The motion passed. Senator Aklestad will ask for a Free Conference Committee in the Senate, and Representative Harrington will ask for a Free Conference Committee in the House.

There being not further discussion, the meeting adjourned at 12:55 p.m.

ADJOURNMENT

Adjournment At: The meeting was adjourned at 12:54 P.M.

Senator Gary C. Aklestad, Chairman

GCA/mfe

Confer.311

CONFERENCE COMMITTEE

51st LEGISLATIVE SESSION -- 1989 Date 4-11-89

NAME	PRESENT	ABSENT	EXCUSED
SEN. GARY C. AKLESTAD	X		
SEN. GERRY DEVLIN	X		
SEN. J.D. LYNCH	X		
REP. DAN HARRINGTON	X		
REP. CLYDE SMITH	X		
REP. JERRY DRISCOLL	X		

Each day attach to minutes.

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE

Call to Order: By Senator Aklestad, on April 18, 1989, at 9:00 a.m. in the State Capitol

ROLL CALL

Members Present: Senator Aklestad, Senator J. D. Lynch, Senator Jerry Devlin, Representative Driscoll, Representative Harrington, Representative Smith

Members Excused: none

Members Absent: none

Staff Present: Tom Gomez and Mary McCue, Legislative Council Staff, Senate Secretary Mary Florence Erving

Announcements/Discussion: None

FREE CONFERENCE COMMITTEE ON HOUSE BILL 28

House Bill 28 sponsored by Rep. Harrington is an act revising the state minimum wage laws to require the state minimum wage to be set in accordance with federal law, but not to exceed $4.00 an hour; increasing the minimum monthly wage for farm workers and establishing a lower minimum wage for employees who are newly hired.

Senator J.D. Lynch asked if a person worked from June 1, 1989 and works until September 15, 1989 and let go; then does the same thing in 1990, is he always under the same hiring date. He said I don't think you want to do that.

Senator Aklestad responded that an employee probably won't go back and work for that employer again. If he works there year after year, the employer usually give them a better wage.

Senator Devlin said in section 3, where an employee makes $3.33 per hour, if the employee has not been previously employed by that employer. That section would cover than problem.

Rep. Harrington said that so we understand what we're doing, we are going to change the Statement of Intent and we still

need the Statement of Intent for the first part, because of the department's rule making will coincide with the facts. Senator Lynch said that the third paragraph down, will be reworded so that when the Federal Government come in with their training; new hiree training time, whatever they come in with, will have jurisdiction on these employers 360 - 205 and above and wherever they establish that figure. But the employers below that will have 120 days training time frame and the language has been changed to encompass that.

Mary McCue directed the committee to the general provisions at the beginning of the Code, a day is midnight to midnight, unless you say otherwise. So when you say, days in the Code your are talking about that. Rep. Driscoll stated the employers will know exactly the date of hire. He said it is surprising what employers can read into a bill.

In the Statement of Intent, it is the intent of the Legislature that employers do not lay people off to take advantage of this act. They do not want employees hired, fired, rehired and refired. So this gives employees that guarantee. If this happens to them, they can go to the Labor Department and file a grievance.

Senator Aklestad stated that with this amendment, we are establishing the training time at 120 days, this being different than the federal guidelines.

Senator Lynch asked if 180 days take precedence over the 120 days on the jurisdiction of the state? The feds could have 180 and we could have 120 days. It's important to know that if they go to 180 days, our law, the training wage will not only apply to those persons under state law, it will also apply to those persons under federal law, because our law is less training time. It prevents a subminimal wage for a shorter period of time, therefore, giving the employees more wage protection under Montana law. So our law would supercede the federal law. So all those persons who are covered under the federal law are going to end up having to go with 120 days of our law and pay a cash wage of $3.35 per hour with no tip credits. Under the federal law they are going to raise the tip credits 50% to make up the difference.

Senator Aklestad said I don't want the state to have to set up training programs. Senator Lynch said I want to keep the owner honest in their training of people. He said people can not be productive at first until they are trained. During this time that will be evaluated to become a better employee.

Senator Lynch said he had a problem with businesses that

have a very high turnover rate. We can't guarantee the people can stay. If the feds come in at 90 we could establish 120 days, because of the tip credit and poor economy.

Rep. Driscoll said the wordage is "not to exceed 120 days". Rep. Harrington said I think 180 days is too long, I like 120 days.Senator Devlin said there should be some clarification.

Mary McCue asked what is the employer to have in mind at 120 days? Did they mean work days or calendar days?

Tom Gomez said calendar days are used. The number of days since the employee was hired. If we have a shorter period for the training wage, our law will be subject to the larger question. So our law would provide the employers $366.500 and above.

Rep. Driscoll said you are going to have to write this very carefully. Senator Aklestad said this will have to be reworked. We would establish the 120 days.

Senator Lynch asked what happens if we pass cuts every session, but have to be rehired at the minimum wage each time?

Senator Devlin said if the employee has not been previously employed by the establishment. He said the big hangup is they don't hire that same person, there will be about to be least alone doing the job.

The Statement of Intent will be changed because of the rule making to qualify with the feds.

Third paragraph will be reworded to say 120 days training wage.

Rep. Harrington said I think the $3.35 per hour should stay.

ADJOURNMENT

Adjournment At: 9:30 a.m.

SENATOR GARY C. AKLESTAD, Chairman

GCA/MFI
fcchb28.418

ROLL CALL

FREE CONFERENCE COMMITTEE

April 18, 1989

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All members were present:

Senator Gary C. Aklestad, Chairman
Senator Jerry Devlin
Senator J.D. Lynch

Representative Dan Harrington, Chairman
Representative Jerry Driscoll
Representative Clyde Smith

Free Conference Committee
on HOUSE BILL 28
Report No. 1, April 18, 1989

Mr. Speaker/Mr. President:

We, your Free Conference Committee on House Bill 28 met and considered:

House Bill 28 (third reading -- blue) and the Senate Labor and Employment Relations Committee's amendments to House Bill 28 (pink sheet) dated March 23, 1989.

We recommend that HOUSE BILL 28 (reference copy -- salmon) be amended as follows:

1. Title, lines 16 and 17.
Strike: "AND" on line 16
Following: "MCA" on line 17
Insert: "; AND PROVIDING A DELAYED EFFECTIVE DATE"

2. Page 1, line 19.
Following: line 18
Insert: "STATEMENT OF INTENT

A statement of intent is required for this bill because [section 2] grants the commissioner of labor and industry authority to adopt rules to establish the minimum wage provided for in 39-3-404(1). It is the intent of the legislature that the commissioner, in adopting rules, shall establish a minimum wage that is the same minimum hourly wage rate as provided under the federal Fair Labor Standards Act, but not to exceed $4 an hour."

3. Page 4, line 12.
Strike: "180"
Insert: "120 calendar"

4. Page 4.
Following: line 22
Insert: "NEW SECTION. Section 5. Effective date. [This act] is effective January 1, 1990."

ADOPT

REJECT

871426CC.HBV

And that this Free Conference Committee Report be adopted.

For the House:

Rep. Dan Harrington, Chairman

Rep. Jerry Driscoll

Rep. Clyde Smith

For the Senate:

Sen. Gary Aklestad, Chairman

Sen. Gerry Devlin

Sen. J.D. Lynch (ReL)

HB 28